PROVINCE OF SASKATCHEWAN

07-08

ANNUAL REPORT

SASKATCHEWAN LIQUOR & GAMING AUTHORITY

Table of Contents

Letters of Transmittal 2

Introduction 4

Overview 5

Progress in 2007-08 6

A New Government Direction 6

Progress by Key Business Area 7
Liquor Licensing 7
Liquor Retail 8
Gaming Licensing 10
Grant Programs 10
Video Lottery Terminals (VLTs) 10
First Nations Gaming 11
Compliance 13
Social Responsibility 14
Internal Operations 16
Financial Overview 19

2007-08 Audited Financial Results 20

Appendices 41
Appendix A SLGA Organizational Chart 41
Appendix B Partners and Stakeholders 42
Appendix C Volume of Sales 44
Appendix D Per Capita Sales 45
Appendix E Saskatchewan Liquor and Gaming Licensing Commission 46
Appendix F SLGA Performance Measures 47
Appendix G SLGA Fact Sheet: 2007-08 Results at a Glance 53

Where To Obtain Additional Information 54

This annual report is also available online at **www.slga.gov.sk.ca**

Letters of Transmittal

Regina, Saskatchewan
July 2008

The Honourable Dr. Gordon L. Barnhart
Lieutenant Governor of Saskatchewan

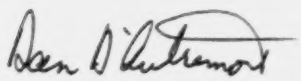
Your Honour:

I am pleased to submit the Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the period ending March 31, 2008. This report includes the financial statements in the form required by Treasury Board and in accordance with *The Alcohol and Gaming Regulation Act, 1997*. The financial statements show a record financial year, with net income of $400.2 million.

Since the election of a new government in November 2007, this government has been building on its values of growth, security and promises. During this time, government has been deliberating on how to strategically invest in Saskatchewan to ensure the momentum translates into long-term, sustained economic prosperity, and to make certain that the benefits of the growing economy are felt by everyone who calls Saskatchewan home.

We are committed to accountability and to ensuring that we deliver on our commitments. A significant number of commitments have already been made to Saskatchewan people in 2007-08 in the election platform, the Speech from the Throne and in the public Minister's Mandate letters. This report will provide progress on commitments as they relate to SLGA as of March 31, 2008. We look forward to furthering our commitment to improved accountability as 2008-09 progresses.

Since assuming responsibility for SLGA, I have met with numerous stakeholders to introduce myself and listen to their interests and concerns. Together with my staff, we have gained a greater understanding of the applicable legislation, regulations and SLGA practices necessary to move on this government's priorities. I look forward to the year ahead.



Dan D'Autremont
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Letters of Transmittal

Honourable Dan D'Autremont
Minister Responsible for the Saskatchewan Liquor and Gaming Authority

Honourable Dan D'Autremont:

I have the honour of submitting the 2007-08 Annual Report of the Saskatchewan Liquor and Gaming Authority (SLGA) for the fiscal year ending March 31, 2008.

SLGA published its 2007-08 Corporate Performance Plan last March as part of the release of the provincial budget documents.

This Annual Report provides an assessment of SLGA's performance relative to all public 2007-08 commitments. Overall, SLGA's 2007-08 performance results show 2007-08 was a successful year for SLGA.

Barry C. Lacey, CA, CMA
President & CEO
Saskatchewan Liquor and Gaming Authority

Introduction

This report is being prepared at a time of transition to a new government's agenda and will provide reporting on key public commitments made during 2007-08 with a greater focus on commitments made by the new government since November 2007.

Progress will be reported on key commitments aligned with the Saskatchewan Liquor and Gaming Authority's organizational structure as of March 31, 2008. This will include key actions and performance measures that were published in 2007-08, but will also include the new government's commitments since November. Progress will be reported as of March 31, 2008 on all of these actions and commitments.

SLGA has provided information and analysis for specific performance measurement results in an effort to demonstrate the value of the measures and how they should be interpreted over time. SLGA remains committed to the principles of enhanced accountability and will incorporate the values and the strategic direction of the new government in the planning and reporting process as the organization moves forward.

Overview

The Saskatchewan Liquor and Gaming Authority is a Treasury Board Crown Corporation responsible for the distribution, regulation, management and operation of liquor and gaming across the province. SLGA achieves this through socially responsible, fair and cost-effective services and programs delivered by employees at offices in Regina and Saskatoon, a liquor distribution centre in Regina and a network of 80 liquor stores in 64 communities throughout the province.

As of March 31, 2008, SLGA employed approximately 1,033 staff throughout the province (the comparable figure in 2006-07 was 1,053), the majority of which work part-time. Approximately 91 per cent of employees are members of the Saskatchewan Government and General Employees' Union (SGEU) Local 6080.

SLGA operates under *The Alcohol and Gaming Regulation Act, 1997* and works in partnership with a broad range of stakeholders and clients, including: the Federation of Saskatchewan Indian Nations (FSIN); the Saskatchewan Indian Gaming Authority (SIGA); Indigenous Gaming Regulators (IGR); Western Canada Lottery Corporation (WCLC); the Canadian Restaurant and Foodservices Association (CRFA); the Saskatchewan Hotel and Hospitality Association (SHHA); the Saskatchewan Liquor Vendors Association (SLVA); liquor-permitted establishments; non-profit clubs; charity associations/individual charities; Pollard Banknote; the Saskatchewan Responsible Gaming Association (SRGA); the Canadian Vintners Association; the Responsible Gambling Council (RGC); the Canadian Centre on Substance Abuse (CCSA); the Brewers of Canada; Spirits Canada; and, the SGEU (see Appendix B for an overview of SLGA's stakeholders and partners).

SLGA has six major divisions:

- The Retail Operations Division is responsible for the purchasing, warehousing, distributing and retailing of beverage alcohol in Saskatchewan. The Division oversees Saskatchewan's liquor stores, franchises and a central distribution centre.
- The Regulatory Compliance Division is responsible for the licensing, inspection and monitoring of liquor and most gaming activities in the province. The Division is also responsible for horse racing and provides a range of community information and education seminars.
- The Gaming Operations Division is responsible for the planning, implementation and management of the Video Lottery Terminal (VLT) program, breakopen vending machine program and the slot machines in First Nations casinos along with the implementation of the operational agreements relating to the province's First Nations casinos.
- The Corporate Services Division provides financial, administrative, procurement, information systems, property management and audit support services to the organization.
- The Human Relations Division provides organizational development, communications and human resource services to the organization.
- The Policy and Planning Division is responsible for corporate planning, performance measurement, performance reporting, policy development and analysis, privacy/Freedom of Information, research and evaluation and legislative services for the organization. The Division also plays a central role in the ongoing implementation of the Gaming Framework Agreement.

Progress in 2007-08

A New Government Direction

The following section provides results since the election in November 2007 related to the new government's strategic priorities: growth, security and promises. With respect to the Saskatchewan Liquor and Gaming Authority, the new government is committed to social responsibility, environmental stewardship and creating an efficient regulatory system which will in turn promote a stronger business climate.

Stakeholder consultation is vital to the government decision-making process and has been instrumental in guiding the ongoing evaluation of the current liquor and gaming environment. Since the new government assumed office, several reviews have been initiated to ensure that the regulatory environment is flexible and supportive of the needs of business and their customers. Rebalancing the regulatory framework to create a business-friendly environment that fosters growth in our communities is fundamental to this government's new direction. Significant progress can be reported on several key initiatives that have been initiated in response to the needs of small business.

In March 2008, the Minister Responsible for SLGA announced that Saskatchewan's liquor regulations would be changed to allow businesses to offer "U-brew" and "U-vin" services to customers. These services offer customers the opportunity to make and bottle beer and wine products on-site rather than doing so in their home where the required space or capacity may not exist. This initiative allows existing businesses to expand and diversify their operations and creates an opportunity for new entrants into the market. This new business activity will translate into commercial development across the province. Eligible businesses receiving a permit from SLGA will be able to offer supplies, space, equipment and expertise to customers who want to make their own beer or wine on-site. SLGA is consulting with the industry to determine the appropriate regulatory framework for these operations. "U-brew" and "U-vin" permits will be issued once the required legislative and regulatory amendments are passed.

This government's proposed changes to Saskatchewan's liquor regulations will make new business opportunities available in the province while eliminating redundancy and over-regulation. These initiatives will allow liquor-related businesses to benefit from and contribute to the province's economic prosperity and help sustain it over the long term. Additional amendments that will allow liquor permittees to more easily meet the needs of their customers include: allowing more flexible hours of operation for permittees; modifying the capacity limits on taverns, nightclubs and restaurants by replacing the arbitrary maximum capacity limits with capacity limits based on the fire code; providing an additional business service by allowing off-sales and other liquor vendors and businesses to set up home delivery services; and, allowing gift shops to include alcohol in gift baskets to create additional market opportunities.

In 2007-08, SLGA conducted a retail liquor customer sa isfaction survey. Detailed analysis was completed and a plan was developed to further examine the areas that customers identified for improvement. Customer focus groups will be held in early 2008-09 in six communities across the province. The purpose of the focus group sessions is to ask retail customers what SLGA could do to serve them better, including what they expect in the way of products and services.

With respect to this government's commitment to social responsibility, several amendments will be introduced that stem from the liquor regulatory review. These amendments include: increased maximum fines for a number of offences; and, allowing restaurant patrons to have their unfinished wine re-corked to take home.

Additionally, government plans to strengthen the socially responsible sale and service of beverage alcohol through the creation of several new offences, including: extending the prohibition of the sale and consumption of beverage alcohol outside permitted hours to special occasion permits; a prohibition against the use of false identification by minors to gain access or remain in a permitted premise; and, a prohibition against an individual bringing their own beverage alcohol into a permitted premise for consumption. These amendments are expected to become law early in 2008-09.

Plans to reduce SLGA's environmental footprint have also been initiated. The mandate of SLGA's internal corporate social responsibility committee has been expanded to include environmental stewardship. The committee will bring forward recommendations on how SLGA can conduct its operations in a more environmentally friendly manner. All relevant policies will be revised to reflect SLGA's commitment to this goal and the decision making process will incorporate environmental impact considerations. Plans have been put in place to conduct energy efficiency audits on all existing store locations.

The decision to relocate the Melfort liquor store to a new leased location was announced in February 2008. The new store will serve as an anchor in support of the nearby retail environment and will provide an expanded selection of products and added convenience for Melfort and area residents. The property, located in one of Melfort's main retail areas, is going to be redeveloped and expanded to feature 7,500 square feet of retail space, improving access and providing more parking for customers. Leasing this property supports local business and provides SLGA's customers with an improved shopping experience.

In 2007-08, the Saskatchewan Indian Gaming Authority (SIGA) achieved compliance with respect to the sustained progress benchmarks established in 2002. As a result, in January 2008, government removed all designated representatives from the SIGA Board, allowing SIGA's membership to determine the appropriate Board membership and structure, and removed the directive appointing the Provincial Auditor as SIGA's external auditor.

Government confirmed its commitment to support Saskatchewan's horse racing industry through the provision of operating and facility grants. These grants will help ensure the viability of the industry and allow it to continue its important contributions to the province.

The new government also identified a need to review the franchise policy to determine its relevance in today's marketplace. Three communities were identified as potential pilot franchise locations to evaluate the appropriateness of the current distance and population restrictions. The franchise agreement will also be reviewed.

Consistent with the growth experienced in all sectors of the Saskatchewan economy, SLGA experienced a record financial year in 2007-08 with net income exceeding $400 million for the first time. SLGA's net income is transferred annually to the General Revenue Fund to fund government initiatives in support of social and economic objectives such as health, education and infrastructure. The strength in the economy has been felt in all segments of SLGA's operations with record net income generated from both liquor and gaming operations. Net income from liquor operations is up eight per cent to $173.6 million and SIGA net income has exceeded $60 million with growth of 23 per cent. The VLT market has also begun to rebound following the implementation of the province-wide smoking ban which triggered two consecutive years of revenue decline and minimal growth in 2006-07.

Maintaining this level of economic prosperity for both SLGA and the businesses it serves will be the driving force behind the organization's long term plans as it moves forward.

Progress by Key Business Area

The key actions originally presented in SLGA's 2007-08 Plan are provided below, organized by key business area and followed by a report on actual progress for each. Actual results are included for all key actions that were published in the 2007-08 Performance Plan. Results for SLGA's performance measures are included in Appendix F.

Liquor Licensing

As the regulatory body for liquor-permitted premises, SLGA issued 1,669 commercial liquor permits to hotel taverns, nightclubs, brew pubs, restaurants and a variety of special use premises in accordance with *The Alcohol and Gaming Regulation Act, 1997*. Of these, 463 held an off-sale endorsement. These numbers are slightly down from the 1,691 permits issued in 2006-07, 475 of which had off-sale endorsements.

SLGA also licenses special occasion liquor permits for the province. Special occasion permits are required for anyone serving alcohol at special events such as weddings, cabarets and fundraisers. There were 16,175 permits issued in 2007-08 compared to 16,233 in 2006-07.

In 2007-08, SLGA completed a liquor regulatory review which evaluated the liquor permitting and regulatory system in the province. The review examined numerous issues relating to the service and consumption of beverage alcohol in Saskatchewan and included stakeholder and public consultations as well as inter-jurisdictional comparisons. Government is committed to providing an environment which encourages business and creating an efficient regulatory system.

2007-08 Key Results:
SLGA will advance and implement recommendations resulting from the liquor regulatory review which evaluated the liquor licensing and regulatory system. (2007-08 Planned Result)

- The liquor regulatory review was revisited in the second half of 2007-08 with the intent to reduce market entry barriers and promote business development through increased flexibility. Initiatives going forward include:
  - tougher penalties for liquor-permitted establishments that serve minors or over-serve patrons;
  - allow businesses to offer "U-brew" and "U-vin" services to customers;
  - removing capacity restrictions on taverns and restaurants;
  - allow for more flexible hours of operation for taverns;
  - establishing new production criteria for brew pubs; and
  - allowing business to operate liquor delivery services.

SLGA will revise the Liquor Permittee Manual in accordance with any approved changes that occur as a result of the liquor regulatory review. (2007-08 Planned Result)

- Work is underway to revise the Liquor Permittee Manual to ensure it is consistent with planned legislative and regulatory changes once they come into effect.

Liquor Retail

Saskatchewan's model for beverage alcohol distribution combines public liquor distribution with private franchises and off-sale outlets. SLGA operates 80 liquor stores in 64 communities throughout the province.

SLGA's distribution centre, located in Regina, processed 15,701 orders in 2007-08 (up from 15,052 in 2006-07) at an average of 143 cases of product per order for stores and 27 cases per order for franchises. This represents an annual flow of approximately 1.63 million cases of beverage alcohol that are received, stored and ultimately shipped across the province.

In 2007-08, SLGA listed 2,255 products, which includes general listings, specialty listings (with an emphasis on fine wine) and domestic and imported beer. General listings remained relatively stable at 1,114 (1,103 in 2006-07). The specialty listing base was 791 (771 in 2006-07). Domestic and imported beer listings increased slightly to 350 (338 in 2006-07). SLGA is also committed to ensuring customer needs are met by offering a special order service for customers who want products not currently listed by SLGA. SLGA continues to place emphasis on procuring limited allocation premium wines from around the world to meet the growing requests of Saskatchewan consumers.

SLGA grants 189 small businesses in rural Saskatchewan a franchise to sell beverage alcohol on its behalf in communities not supported by a liquor store. This partnership with provincial franchises serves a critical role in ensuring that all Saskatchewan residents have equitable and fair access to liquor products and services. The agreement between SLGA and the franchises directs the franchises to sell beverage alcohol to the public at the same price as SLGA stores. In return, franchises receive a sales commission that ranges between 8.2 and 15.3 per cent of the sales value, depending upon the product.

The franchise commission for the year ending March 31, 2008 was $5.8 million. Due to a strong economy and increased marketing support by the industry and SLGA, 2007-08 franchise sales continued to increase, resulting in higher total franchise commissions than in 2006-07 ($5.2 million).

Commercial permittees with an off-sale endorsement purchase their beer inventory from SLGA at a discount. The off-sale permittee beer discount for the year ending March 31, 2008 was $8.6 million, consistent with the prior year.

In 2007-08, Saskatchewan had one liquor outlet for every 1,019 residents age 19 and older, compared to one outlet for every 989 residents in 2006-07. The 2007-08 result maintains historical levels and is based on a total of 732 outlets, made up of 80 SLGA stores, 463 off-sale outlets and 189 franchises.

2007-08 Key Results:

Continue to refine the liquor store capital plan to maintain existing infrastructure and provide for improved customer service, increased product selection, convenience and improved access and parking where required. (2007-08 Planned Result)

- Renovations to expand retail space were completed at the Avalon (Saskatoon) and Battleford liquor stores and renovations to the La Ronge liquor store were completed to ensure continued compliance with Occupational Health and Safety standards.

- The contract for the relocation and expansion of the Melfort liquor store was awarded in February 2008 with anticipated completion in spring 2009.

Update and implement an annual retail marketing plan that identifies opportunities to enhance and promote retail liquor sales and services. (2007-08 Planned Result)

- SLGA has worked with franchises to improve shelf alignment and product selection of premium and deluxe products, which has enhanced customer service and increased profitability for both franchises and SLGA.

- Initiated review of Store Product Display policy to determine efficiency of current program. The results of the review and any proposed changes to the policy will be discussed with industry representatives at a forum planned for the fall of 2008.

SLGA will begin delivery of advanced product knowledge training in 2007-08 while continuing to provide initial customer service/product knowledge training to new employees as required. (2007-08 Planned Result)

- In addition to providing initial customer service/ product knowledge training to SLGA Customer Service Representatives, SLGA contracted with the Saskatchewan Tourism Education Council to develop content for a customized train-the-trainer advanced product knowledge program and deliver this program to SLGA in-house facilitators. In 2007-08, SLGA's advanced product knowledge modules were piloted; full implementation of the modules is anticipated for 2008-09.

Complete detailed analysis of 2006-07 Retail Store Customer Satisfaction Survey and recommend strategies to address issues. (2007-08 Planned Result)

- The retail liquor customer satisfaction survey was conducted early in fiscal 2007-08. Detailed analysis was completed in the fall of 2007 revealing a small, but statistically significant, downward trend in overall customer satisfaction over the past six years. The percentage of respondents that were satisfied with SLGA customer service declined from 92 per cent in 2002-03 to 88 per cent in 2007-08. This result caused SLGA to pursue further analysis and plan customer focus group sessions in six communities across the province for early 2008-09.

Gaming Licensing

SLGA licenses and regulates charitable forms of gaming including bingo, raffles, breakopen tickets, Texas Hold'em poker and Monte Carlo events, as well as exhibition casinos. SLGA also licenses and regulates horse racing activities in the province. SLGA conducts this regulatory activity through a range of licensing, monitoring and auditing activities.

The total number of charitable gaming licences issued was 3,393 compared to 3,606 in 2006-07. Total charitable gaming proceeds for 2007-08 were $25.6 million, remaining stable relative to 2006-07. The decline in popularity of bingo and breakopens has been offset by an increase in proceeds from raffles and Texas Hold'em licences.

The province's exhibition casinos generally operate on a temporary basis, in conjunction with annual events such as fairs or exhibitions. This year, one temporary casino licence to allow for table games was issued for the exhibition held in Swift Current. Emerald Casino, the last permanent exhibition casino, operated by the Saskatoon Prairieland Park Corporation (SPPC) was closed in August 2007 with the opening of SIGA's Dakota Dunes Casino.

In 2007-08 three horse racing tracks were operating in the province: Marquis Downs (SPPC); Melville Agri-Park; and, Yorkton Exhibition Association. The season included 29 days of thoroughbred racing, 24 days of standardbred racing and two days of mixed thoroughbred/speed horse racing. The provincial handle on live and simulcast racing totalled $11.5 million in 2007-08, up from $11.1 million in 2006-07.

2007-08 Key Results:
Building on the work conducted in 2006-07, SLGA will finalize and roll-out a consumer education program focusing on the use of charitable gaming as a fundraising tool. (2007-08 Planned Result)

- The Charitable Gaming Education Program is still under development.

Grant Programs

The charitable gaming grant program was implemented in 2006-07 to help stabilize revenue to the charitable gaming sector. The program issues grant payments equal to 25 per cent of the net revenue generated by an organization through licensed charitable gaming activities. In 2007-08, approximately $8.0 million in grant payments were expensed, of which $1.4 million related to 2006-07.

The horse racing grant program paid $1.5 million in grants in 2007-08. Three tracks received support for horse racing: SPPC (Marquis Downs), Melville Agri-Park and the Yorkton Exhibition Association. The grants provide funding for purses, racing operations, breeding incentives and facility improvements that support the horse racing industry in Saskatchewan.

Video Lottery Terminals (VLTs)

SLGA owns and operates all provincial VLTs. SLGA contracts with the Western Canada Lottery Corporation (WCLC) to operate and maintain the VLTs and pays a commission to liquor-permitted establishments that host the VLT machines.

SLGA continues to operate within a cap of 4,000 VLTs while balancing social and fiscal responsibilities. The number of sites and the number of communities with VLTs has been maintained over time with minor fluctuations over the past six years. As of March 31, 2008, there were 3,975 VLTs in 660 sites, located in 315 communities in Saskatchewan.

SLGA pays a 15 per cent commission to liquor permitted establishments that host VLTs. VLT site commission revenue for the year ending March 31, 2008 was $39.9 million compared to $36.6 million in 2006-07. In 2007-08, the growing economy resulted in VLT sales recovering from the effects of the province-wide smoking ban which affected VLT revenue in 2004-05 through 2006-07.

2007-08 Key Results:
SLGA will monitor the distribution of VLTs in the province and as VLTs become available, SLGA will distribute them in accordance with its policy. (2007-08 Planned Result)

- Throughout the year, SLGA monitors VLT distribution across the province operating within the cap of 4,000 machines. As machines become available, SLGA distributes the machines to new and existing sites in accordance with the Distribution Policy.

Continue to monitor monthly reporting and approve budgets for the Western Canada Lottery Corporation with respect to their contractual obligations to provide training, install and maintain VLTs and slot machines, maintain the central operating system and provide a toll-free hotline to provide technical assistance to site contractors. (2007-08 Planned Result)

- SLGA monitored WCLC's monthly reporting for 2007-08 and reviewed and approved WCLC's budget for 2008-09.

First Nations Gaming

First Nations casino gaming in Saskatchewan is conducted through an agreement between the Province and the Federation of Saskatchewan Indian Nations (FSIN). New in 2007-08 was the Dakota Dunes Casino, located on the Whitecap Dakota First Nation. The 80,000 square foot casino features 625 slot machines, 16 table games and an entertainment venue that accommodates 550 guests for concerts and theatrical performances. Construction also started on the new Living Sky Casino in Swift Current and on the replacement building for the Painted Hand Casino in Yorkton. Currently, SIGA operates five First Nations casinos in Saskatchewan. SIGA also operates the Gold Eagle Casino in North Battleford; the Northern Lights Casino in Prince Albert; the Bear Claw Casino on the White Bear First Nation; and, the Painted Hand Casino in Yorkton (all opened in 1996).

On September 19, 2007, the Gaming Framework Agreement (GFA) was amended to change the revenue sharing formula (retroactive to April 1, 2007) so that the First Nations Trust (FNT) receives 50 per cent of the net profits from SIGA casinos, up from 37.5 per cent. Of the remaining revenue, 25 per cent goes to the Province's General Revenue Fund and 25 per cent goes to Community Development Corporations (CDCs). The FNT supports economic development, social development, justice, health, education, culture and other First Nations initiatives. The CDCs support similar objectives in and around the casino host communities.

In 2007-08, payments were also made from SIGA profits (through the Ministry of First Nations and Metis Relations): to Indigenous Gaming Regulators ($2.9 million) to support its work in regulating charitable gaming on reserve; to the First Nations Addictions Rehabilitation Foundation ($2.1 million) for problem gambling services; and, to the FSIN to support its efforts to prepare proposals for the federal government regarding on-reserve gaming jurisdiction ($250,000) and for other gaming initiatives ($250,000). These payments are made prior to the profit distribution described previously.

In 2007-08, SIGA achieved compliance with respect to the sustained progress benchmarks established in 2002. In recognition of SIGA's progress, several predetermined operational and governance restrictions were removed. All board members nominated by SLGA were removed by government in January 2008, allowing SIGA's membership to determine its Board membership and structure. Additionally, government removed the directive appointing the Provincial Auditor as SIGA's external auditor.

As of March 31, 2008, SIGA casinos employed 1,716 people, 82 per cent of whom are of Aboriginal heritage. In 2007-08, SIGA reported a net profit of $60.3 million, the highest net profit ever reported for SIGA, a 23 per cent increase over 2006-07 ($48.8 million).

2007-08 Key Results:

The first five-year review of the 2002 Gaming Framework Agreement (GFA) and 2002 Casino Operating Agreement commenced in 2006-07. Discussions will continue in 2007-08 towards finalizing that review. Concurrently, work with respect to the Indigenous Gaming Regulators (IGR) – SLGA Regulatory Agreement; operationalizing the arrangements for two new casinos approved for SIGA in 2004-05 in Swift Current and the Whitecap Dakota First Nation; the joint FSIN/provincial committee respecting First Nations jurisdiction over gaming on reserve land; and, participating on a Community Development Corporation (CDC) Standing Committee, will continue. (2007-08 Planned Result)

- The first five-year review of the 25-year GFA began in December 2006 and was completed in the fall of 2007. In addition to the new revenue-sharing arrangement previously described, the payment allocation to the First Nations Addictions Rehabilitation Foundation was increased by $250,000, to $2.25 million annually. Annual funding of $250,000 to support work on the First Nation jurisdiction over gaming on reserve land proposal to the Federal Government was extended to 2011-12, and annual funding of $250,000 to the FSIN for gaming-related activities was established.

- On April 1, 2007, IGR assumed responsibility for regulating charitable gaming on reserve, including table games at SIGA casinos.

- The proposal respecting First Nation jurisdiction over gaming on reserve prepared by the joint FSIN/provincial committee was supported by the FSIN and the provincial government. Next steps are to determine the process for presenting the proposal to the Federal Government.

SIGA achieved compliance with the sustained progress benchmarks during the 2006-07 fiscal year. However, SLGA will continue to conduct semi annual audits at SIGA to ensure that these benchmarks are met for two consecutive years pursuant to the terms of the Casino Operating Agreement. In 2007-08, SLGA will also continue to review SIGA's annual strategic and business plans to ensure that SIGA operational and financial plans are aligned and are consistent with the goals and objectives identified in SLGA's Performance Plan. (2007-08 Planned Result)

- During the first half of 2007-08, SLGA completed its sustained progress audit of SIGA for the period October 1, 2006 to March 31, 2007 as well as for the period April 1, 2007 to September 30, 2007. Following completion of these audits, SIGA was deemed to have met "sustained progress" as outlined in the Casino Operating Agreement (COA). As a result, pursuant to the COA, SLGA removed the directives regarding the structure of SIGA's Board (a seven member board, with three nominated by SLGA) and the appointment of the Provincial Auditor as SIGA's external auditor.

- SLGA approved SIGA's 2008-09 strategic plan in September 2007 and reviewed and approved SIGA's 2008-09 business and financial plans in the second half of 2007-08.

SLGA will continue to work with SIGA to review and evaluate the Province's First Nation casino infrastructure. 2007-08 will focus on new SIGA casino developments located at the Whitecap Dakota First Nation, the city of Swift Current and replacement of the Painted Hand Casino in Yorkton. (2007-08 Planned Result)

- The Dakota Dunes Casino on the Whitecap First Nation opened on August 10, 2007.

- Construction started on the new Living Sky Casino in Swift Current and the new location of the Painted Hand Casino in Yorkton.

SLGA will work with SIGA on an annual basis to review and evaluate the current slot machine products located in SIGA casinos. SLGA will work in consultation with SIGA and WCLC to replace slot machines on a regular basis and to develop a maintenance plan for the machines. (2007-08 Planned Result)

- In 2007-08, a total of 774 new slot machines were installed in SIGA casinos, including the machines at the new Dakota Dunes Casino located at the Whitecap First Nation.

Continue to monitor and approve budgets for SIGA. SLGA will review SIGA's 2008-09 budget in the last half of 2007-08. SLGA will also monitor monthly reporting from SIGA to help ensure effective delivery of casino operations. (2007-08 Planned Result)

- SLGA continues to monitor SIGA's monthly financial results to ensure SIGA remains on budget and to identify any potential items for follow-up. SLGA also reviewed and approved the 2008-09 SIGA budget.

Compliance

SLGA is responsible for developing, administering and enforcing the laws and regulations pertaining to the province's liquor and gaming sectors. SLGA works in collaboration with law enforcement authorities, the Provincial Auditor's Office and other regulatory agencies in order to ensure greater effectiveness and efficiency in monitoring both liquor and gaming activities throughout the province. SLGA also conducts comprehensive site inspections and investigates complaints. All of these functions are designed to ensure the integrity of the liquor and gaming sectors in the province within a legal framework that is both fair and responsible.

SLGA is responsible for registering all gaming employees in the province, as well as suppliers of gaming and non-gaming goods and services to the industry in Saskatchewan. In 2007-08, SLGA registered 3,279 gaming employees and 74 suppliers of gaming and non-gaming goods and services.

In 2007-08, the total number of sanctions increased to 283, from 208 in 2006-07. As of March 31, 2008, SLGA had imposed 126 liquor-related sanctions; 114 charitable gaming-related sanctions (increase due to Texas Hold'em and Monte Carlo licensing); and 43 horse racing sanctions.

SLGA conducted 6,043 inspections and 2,785 investigations of liquor and gaming activities in 2007-08. Additionally, there were 68 audits and reviews of liquor stores, casinos, charitable gaming organizations and head office in 2007-08.

2007-08 Key Results:

SLGA will continue to provide a range of formal consultations and educational workshops to a variety of stakeholders and clients about regulatory compliance standards. These workshops are intended to promote awareness about the laws and regulations governing the liquor and gaming industries in Saskatchewan. (2007-08 Planned Result)

- SLGA conducted 179 formal workshops/ meetings/consultations in 2007-08. This included: community workshops, community meetings, consultations, liaison/meetings, training and charitable gaming consultations.

SLGA will continue to modernize and update the regulatory framework for liquor and gaming activity in the province. (2007-08 Planned Result)

- SLGA assessed criteria for the registration of gaming employees based on the context of the expanding gaming environment. The approved amendments to *The Gaming Regulations, 2002* will create exemptions from registration for specified suppliers, directors and employees, and define gaming regulators to be certain employees of SLGA and Indigenous Gaming Regulators (IGR). Concurrent amendments to *The Saskatchewan Gaming Corporation Casino Regulations, 2002* were also approved and will come into force upon proclamation.

SLGA will continue to register gaming employees and suppliers as a key part of its overall compliance activity. In addition to working on continual refinement of SLGA's online registration system, activity in this area will increase sharply in 2007-08 and 2008-09 as the new SIGA casinos at the Whitecap Dakota First Nation and Swift Current come on stream. (2007-08 Planned Result)

- In 2007-08, SLGA registered a total of 3,279 gaming employees, an increase from 2,669 in 2006-07. New registration activity in 2007-08 was mostly a result of the registration of new gaming employees for the Dakota Dunes Casino on the Whitecap Dakota First Nation.

SLGA will review and follow up on any reportable items identified by the Provincial Auditor, the Regulatory Compliance Division and the Audit Services Branch within SLGA. SLGA will continue to work with SIGA and WCLC to ensure reportable items are followed up and appropriately addressed. (2007-08 Planned Result)

- SLGA continues to work with SIGA and WCLC to resolve reportable items.

Finalize and implement a program within liquor permitted establishments to monitor the integrity of the VLT program through random computer checks, increased investigations and sanctions for infractions. (2007-08 Planned Result)

- The program was developed in 2007-08 and is currently being reviewed internally prior to implementation.

Social Responsibility

SLGA plays a key partnership role in promoting the socially responsible use of liquor and gaming products in collaboration with agencies like the Ministry of Health, Saskatchewan Government Insurance, the Canadian Mental Health Association, Saskatchewan Responsible Gaming Association and the Saskatchewan Prevention Institute. In 2007-08, SLGA continued to fund initiatives in this area.

SLGA also considers social responsibility an important principle in the regulatory framework for liquor and gaming activities in the province. In 2007-08, a number of amendments to the legislation requirements respecting liquor were developed as part of the liquor regulatory review. These will proceed in 2008-09 and include increased fines for a number of liquor-related offences such as serving minors and over serving and allowing patrons to have unfinished wine re-corked to take home.

New offences will also be created to strengthen the socially responsible sale and service of beverage alcohol. These include: extending the prohibition of the sale and consumption of beverage alcohol outside permitted hours to special occasion permits; a prohibition against an individual bringing their own beverage alcohol into a permitted premise for consumption; and, a prohibition against minors using false identification to gain access to or remain in a permitted premise.

SLGA also expanded its corporate social responsibility committee mandate to include environmental stewardship. The committee will explore how SLGA can conduct its operations in a more environmentally friendly manner.

2007-08 Key Results

SLGA has the ability to promote social responsibility through the direct financial support of programs designed to encourage the responsible use of alcohol and gaming. In 2007-08, SLGA will continue to assess its role in social responsibility and further the development of an SLGA Social Responsibility Plan. Initiatives include increased intra-government co-ordination. (2007-08 Planned Result)

- SLGA continued to provide funding to the following responsible gaming programs and initiatives: Ministry of Health Problem Gambling Education and Awareness; Toll-free Problem Gambling 1-800 Help Line; and, the Saskatchewan Responsible Gaming Association.

- SLGA continued to provide funding to the following beverage alcohol social responsibility initiatives: Fetal Alcohol Spectrum Disorder (FASD) and Cognitive Disabilities programs; in-store social responsibility messaging; and, national social responsibility campaigns developed by the Canadian Association of Liquor Jurisdictions. SLGA also launched the Check 25 Program in its stores in May 2007.

- Plans to reduce SLGA's environmental footprint have been initiated. The mandate of SLGA's Corporate Social Responsibility committee has been expanded to include environmental stewardship and will be bringing forward recommendations on how SLGA can conduct its operations in a more environmentally friendly manner.

In response to the recommendations listed in the Addley Report, Healthy Choices in a Healthy Community, SLGA will partner with the new Alcohol and Drug Prevention and Education Directorate in an effort to de-normalize current attitudes about alcohol abuse and reduce the opportunity for abuse. Specific actions will be included in the liquor review process where legislative/regulatory/policy changes to strengthen the regulatory framework respecting access to minors and those already intoxicated are under review. (2007-08 Planned Result)

- Legislative and regulatory amendments were prepared that will strengthen the penalty structure for establishments that serve minors or over-serve patrons. In partnership with the Saskatchewan Tourism Education Council, Ministry of Health, Saskatchewan Government Insurance and Saskatchewan Hotel and Hospitality Association, a new online beverage alcohol server intervention training program was developed and introduced for commercial permittees.

As a member of the oversight committee, continue to work with and financially support an inter-jurisdictional research project aimed at developing a reliable methodology to study the long-term socio-economic impact of gaming. (2007-08 Planned Result)

- The Socio-Economic Impact of Gambling (SEIG) Framework was released in February 2008. The SEIG Framework is a technical tool that provides a map for consistently and objectively assessing the true impact of gambling from multiple perspectives and will be used by researchers in preparation for the 2010 International Symposium on the socio-economic impact of gambling.

Work with Saskatchewan Health within the overall provincial program for problem gambling and provide funding for education, prevention and treatment initiatives. (2007-08 Planned Result)

- SLGA provided funding for the Problem Gambling Help Line as well as funding in support of the Ministry of Health's provincial media campaign regarding problem gambling treatment and prevention.

Promote social responsibility in the liquor and gaming sectors through the consistent enforcement of standards and regulatory activities, and by enhancing the educational component of regulatory compliance. (2007-08 Planned Result)

- Special Occasion Permit (SOP) public education materials have been updated as well as SOP policy, and education on the proper issuance of permits has been made available to franchise outlets. Consultation with the Saskatchewan Gaming Corporation and Saskatchewan Indian Gaming Authority respecting potential direct marketing regulations and an automated teller machine (ATM) placement policy for casinos occurred. The ATM placement policy for VLT sites was also reviewed.

SLGA will continue to work with the Western Canada Lottery Corporation (WCLC) to provide VLT site contractor training which encourages the responsible use of gaming machines and provides training on the signs of problem gambling. SLGA will also continue exploring ways to improve its training with respect to problem gambling (2007-08 Planned Result)

- WCLC provides operational training to new site contractors approved to operate VLTs in the province. SLGA works with WCLC to ensure the training is adequate and makes adjustments where necessary. SLGA is also reviewing the design, development and delivery of a mandatory responsible gaming training program directed at management personnel from VLT sites in the province.

Internal Operations

SLGA is a significant employer in the province, with approximately 1,033 full-time, part-time and casual staff in 64 communities as of March 31, 2008. SLGA's services and programs are delivered by employees located at its head office in Regina, a liquor distribution centre in Regina, an office in Saskatoon and a network of 80 liquor stores. Approximately 91 per cent of employees are members of the Saskatchewan Government and General Employees' Union Local 6080.

SLGA works to ensure that there is continuous improvement in operational efficiency and productivity through attention to its business process and infrastructure.

2007-08 Key Results:

Following the approval of updated policies early in 2007-08, SLGA will implement Harassment & Violence in the Workplace Awareness training to staff across the organization. (2007-08 Planned Result)

- SLGA updated its *Violence in the Workplace* and *No Harassment* policies and notified employees of the revised policies in January 2008. The Harassment and Violence training is set to begin in April 2008.

SLGA delivered a comprehensive employee satisfaction survey in 2005-06 and during 2006-07 work focused on developing and implementing an action plan to follow-up on key results. SLGA intends to administer a follow-up survey in 2007-08, following implementation of the action plan. (2007-08 Planned Result)

- Implementation of the action plan resulting from the 2005 employee satisfaction survey continued during 2007. SLGA's second employee satisfaction survey was administered in September 2007. The survey results indicated an overall improvement in employee satisfaction relative to the previous survey.

Following completion of the Employee Family Assistance Program evaluation in 2006-07, SLGA will continue the process of reviewing and renewing employee benefit programs during 2007-08, including the establishment of a corporate Occupational Health and Safety Steering Committee to provide guidance and direction and proceeding with reviews of the Health Plan and extended Dental Plan. (2007-08 Planned Result)

- SLGA established a province-wide Occupational Health and Safety Advisory Group in 2007-08. A Request for Proposal regarding SLGA's Extended Health Plan and Enhanced Dental Plan will be issued during the 2008-09 fiscal year.

SLGA anticipates maintaining and enhancing a positive labour relations environment in 2007-08 through continuing to foster a collaborative and respectful working relationship with the union bargaining team, which experienced significant membership turnover in mid 2006-07, and other elected and appointed union representatives. In addition to emphasizing an interest-based approach to collective bargaining, resolving grievances and dispute resolution, SLGA will also continue to provide learning and educational opportunities by supporting union shop steward training. (2007-08 Planned Result)

- A three-year Collective Bargaining Agreement was signed April 1, 2007. Initiatives stemming from this agreement include joint policy development in the areas of wellness, aboriginal employment and part-time staffing.

Continue to train employees in leadership skills by offering different levels of leadership courses as well as customized modules on specific leadership issues. This training is intended to provide employees with enhanced leadership skills and a stronger understanding of concepts like self-responsibility, accountability and self-evaluation. (2007-08 Planned Result)

- The first component of a Managerial Skills Development Program was developed and delivered, consisting of four core workshops focusing on leadership skills required to effectively manage employees as well as stakeholder relationships.

SLGA has delayed finalization of a new performance planning process until position competencies have been completed for a majority of staff, as they will be used in the planning process. SLGA now plans to finalize and introduce a new performance planning process during the 2007-08 fiscal year. (2007-08 Planned Result)

- A new performance planning and evaluation tool was completed for out-of-scope employees and will be used for setting personal work objectives for the 2008-09 performance period.

SLGA will continue the development and refinement of its succession planning strategies in 2007-08, including implementing the use of core competencies for a significant majority of employees and introducing a new performance planning process to facilitate the identification and addressing of competency gaps in the organization, delivering training and developmental initiatives for employees and continuing initiatives to diversify the workforce through SLGA's Employment Equity and Aboriginal Partnership initiatives. (2007-08 Planned Result)

- The outstanding competency profiles were almost complete by year end and will be used in future position recruitment processes beginning in 2008-09.

SLGA will continue to seek ways to improve its assessment of the effectiveness and impact of corporate training, including monitoring content and delivery of such programs as Leadership Development to ensure it is incorporating current educational trends and practices and remaining relevant to evolving corporate requirements. Recognizing the inherent challenge all organizations face in effectively measuring broad-based behavioural outcomes and the impact of training initiatives, SLGA continues to identify the development of effective measurements in this area as a goal to be strived for in the longer term. (2007-08 Planned Result)

- Evaluation of the 2005 employee satisfaction survey identified concerns with managerial and supervisory expertise with respect to communicating effectively, providing feedback and dealing with issues. Based on this result it was determined that additional skills development was necessary to prepare individuals for management roles. A specialized Management Skills Development Program was launched in October 2007 to provide individuals with the opportunity to develop and/or strengthen their managerial competencies.

Continue to work towards becoming a more diverse and representative workplace by preparing the organization to hire and retain employees from the four designated groups. In 2007-08, SLGA will focus on several initiatives, as follows:

> *Continuing to review, refine and implement the Aboriginal Partnership Agreement;*

> *Reviewing and updating the Corporate Employment Equity Plan to ensure actions identified are achievable while at the same time challenging the organization;*

> *Developing and implementing an action plan to address any systemic and policy issues identified in the human relations system review completed in 2006-07; and*

> *Continuing to deliver cultural awareness and diversity training to all SLGA employees. (2007-08 Planned Result)*

- The Human Relations Systems Review was completed in August 2007 and an action plan to address identified issues was adopted and incorporated into the corporate Employment Equity Plan and the Aboriginal Partnership Agreement Action Plan. Cultural awareness and diversity training continued.

SLGA will continue to refine existing online services for liquor licensing, charitable gaming licensing and registration activity on its corporate website www.slga.gov.sk.ca as well as continuing to enhance the corporate intranet (ION). (2007-08 Planned Result)

- Development work has been initiated to expand the information provided on SLGA's website including more information regarding retail liquor operations (e.g. product availability and store information). Upgrades and system enhancements were also completed for liquor and gaming licensing systems.

In 2007-08, SLGA will continue to refine, update and implement its Corporate Business Technology Plan, including evaluating existing business applications to ensure SLGA is obtaining full value from its systems and will refine and enhance existing systems as required. In particular, SLGA will be upgrading its financial business applications and implementing a formal information technology disaster recovery plan. (2007-08 Planned Result)

- In 2007-08, a Request for Information (RFI) was issued for the development of SLGA's information technology disaster recovery plan. Implementation of an enhanced disaster recovery strategy will begin in 2008-09.

In 2007-08, SLGA will complete the development of a Corporate Business Continuity Planning Framework. SLGA will also implement a formal information technology disaster recovery plan for its business critical systems. SLGA will also work with WCLC to review and make necessary adjustments to the business continuity and disaster recovery plans for the VLT and slot central operating systems. (2007-08 Planned Result)

- In 2007-08, SLGA reviewed its business approach to risk management and business continuity planning. For 2008-09, in addition to work on Information Technology disaster recovery, SLGA will focus on emergency preparedness.

Implement SLGA's corporate research agenda, which includes policy and program evaluation, background research, and post-implementation evaluation. In 2007-08, the focus will be on monitoring the impact of proposed changes following policy reviews in charitable gaming and liquor licensing. (2007-08 Planned Result)

- Amendments stemming from the liquor regulatory review will not be in effect until the fall of 2008; therefore, impact analysis has been deferred to post-implementation. In 2007-08, SLGA's research agenda focused on: alternative beer bottle recycling channels; options to improve liquor store efficiencies; gaming and liquor market analysis by stakeholder and type of activity/product; and participation in a national study to identify best practices in casino self-exclusion.

Originally targeted to roll-out to all stores in 2006-07, store strategic planning implementation has been delayed by one year due to significant restructuring of responsibilities that took place at the regional management level in 2006-07. (2007-08 Planned Result)

- This initiative did not proceed in 2007-08 due to competing priorities.

Continue to improve the managerial processes designed to identify and manage key corporate risks. Work towards aligning risk management strategies more explicitly with the Corporate Strategic Plan and incorporate more risk analysis into performance reporting. (2007-08 Planned Result)

- In 2007-08, SLGA participated in a risk management pilot project coordinated by the Ministry of Finance.

Implement a follow-up survey to measure performance and obtain feedback about licensing services from customers in order to make improvements over time. SLGA delivered a survey in 2003-04, and although initially planned for 2006-07, SLGA intends to administer a follow-up survey in 2007-08. (2007-08 Planned Result)

- The Request for Proposal (RFP) to conduct the liquor permittee service satisfaction survey was prepared; however, due to other priorities, the RFP was not issued in 2007-08.

As per the Canadian Comprehensive Auditing Foundation reporting principles, continue to refine the annual performance plan and annual report to provide key information that allows the general public and our stakeholders to understand SLGA's risks, operations and processes and, with this information, easily assess SLGA's performance relative to our stated goals and objectives. (2007-08 Planned Result)

- SLGA continued its internal review of alternative reporting and planning formats that would better serve the organization and its stakeholders. Work will continue in 2008-09.

Financial Overview

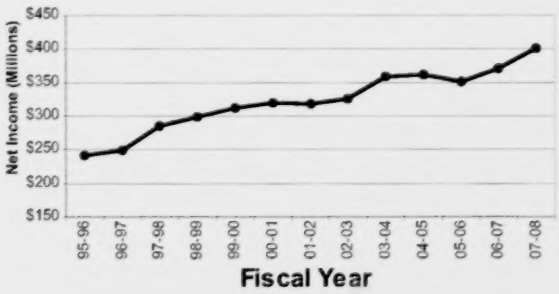
The primary indicator of SLGA's financial success is SLGA's net income. SLGA's net income reflects the total net revenue generated by the province's liquor industry and the majority of the commercial gaming industry minus operating expenses, including associated regulatory and compliance costs. SLGA's net income is transferred annually to the province's General Revenue Fund (GRF).

SLGA's net income for 2007-08 was $400.2 million, up eight per cent from its 2006-07 net income of $370.3 million, and significantly higher than SLGA's 2007-08 budgeted net income of $350.7 million. VLTs made a slight recovery from the previous year, but liquor sales and SIGA net income growth were the key factors in the net income increase.

2007-08 Key Results:
SLGA's net income was $351.4 million in 2005-06 down from $362.1 million in 2004-05. SLGA will continue to explore and propose a variety of policy options designed to increase net income in a socially responsible manner. However, the maturity of the liquor and gaming markets limit the opportunity to realize significant revenue growth without implementing policy changes designed specifically for revenue generation (2007-08 Planned Result).

- SLGA's net income for 2007-08 fiscal year is $400.2 million, $29.9 million more than 2006-07. This result is largely attributed to a growing provincial economy and increases in population.

SLGA Net Income, 1995-96 to 2007-08



Management's Report

The accompanying financial statements, and related financial information throughout the Annual Report, have been prepared by management using Canadian generally accepted accounting principles. Management is responsible for the integrity, objectivity and reliability of the financial statements.

SLGA's management has established and maintains a system of internal controls that provides reasonable assurance that transactions are recorded and executed in compliance with legislation and authority; assets are safeguarded; there is an effective segregation of duties and responsibilities; and, reliable financial records are maintained. An auditing function exists within SLGA, which objectively assesses the effectiveness of internal controls.

The Provincial Auditor has examined SLGA's financial statements. The Auditor's Report to the Members of the Legislative Assembly of Saskatchewan expresses an independent opinion on the fairness of presentation of SLGA's financial statements in accordance with Canadian generally accepted accounting principles.

Barry C. Lacey, CA, CMA
President & CEO

R Wiley

Rod Wiley, CMA FCMA
Vice President & CFO

Valerie Banilevic

Regina, Saskatchewan
July 7, 2008

Valerie Banilevic, CMA
Director, Financial Services

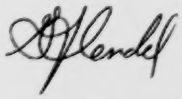
Auditor's Report

To the Members of the Legislative Assembly of Saskatchewan

I have audited the statement of financial position of the Liquor and Gaming Authority (SLGA) as at March 31, 2008 and the statements of operations and retained earnings (deficit), and cash flows for the year then ended. SLGA's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of SLGA as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



Regina, Saskatchewan
July 7, 2008

Fred Wendel, CMA, CA
Provincial Auditor

Statement 1

LIQUOR AND GAMING AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at March 31

	2008 (000's)	2007 (000's)
ASSETS		
Current assets:		
Cash	$ 1,618	$ 1,119
Due from General Revenue Fund (Note 3)	46,356	38,320
Accounts receivable (Note 7)	49,900	35,228
Prepaid expenses	662	627
Inventories (Note 5)	24,133	23,066
	122,669	98,360
Property, plant and equipment (Note 6 & 8)	56,059	59,212
	$ 178,728	$ 157,572
LIABILITIES AND RETAINED EARNINGS		
Current liabilities:		
Accounts payable and accrued liabilities	$ 29,626	$ 20,522
Payable to General Revenue Fund (Note 4)	108,673	101,093
Goods and Services Tax payable (Note 8)	1,698	1,553
	139,997	123,168
Accrued pension liability (Note 9)	38,670	34,989
	178,667	158,157
Retained earnings (deficit) (Statement 2)	61	(585)
	$ 178,728	$ 157,572

Commitments (Note 11)
Contingencies (Note 16)

(See the accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
STATEMENT OF OPERATIONS AND RETAINED EARNINGS (DEFICIT)
For the Year Ended March 31

	2008 Budget (000's) (Note 13)	2008 Actual (000's) (Note 14)	2007 Actual (000's)
Revenues:			
Liquor sales (Note 12)	$ 410,149	$ 469,748	$ 429,546
VLT	245,642	247,137	233,615
Slot machines (Note 10)	112,827	178,307	122,151
Licence, permit, and other income	3,103	4,369	4,169
	771,721	899,561	789,481
Less promotion allowances (Note 2(b))	4,377	6,387	4,243
	767,344	893,174	785,238
Direct expenses:			
Cost of liquor	205,883	236,435	215,407
VLT site commission (Note 2(c) & 11)	38,673	39,884	36,604
	244,556	276,319	252,011
Operating expenses (Schedule 1):			
VLT, liquor, and other gaming	104,012	105,029	93,846
Slot machines	63,582	99,805	63,433
Other (Note 10)	4,468	11,844	5,638
	172,062	216,678	162,917
Net income for the year	$ 350,726	400,177	370,310
Retained earnings (deficit), beginning of year		(585)	(842)
Transfer to General Revenue Fund (Note 4)		(399,531)	(370,053)
Retained earnings (deficit), end of year – to Statement 1		$ 61	$ (585)

(See the accompanying notes to the financial statements)

Statement 3

LIQUOR AND GAMING AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended March 31

	2008 (000's)	2007 (000's)
Cash flows provided by (used in) operating activities:		
Cash receipts from liquor sales, VLT, slot machines, and other revenue	$ 904,657	$ 809,458
Interest received	84	530
Payments to suppliers, employees and other	(451,231)	(390,907)
Payments made to grant recipients	(9,480)	(4,595)
Payment of Goods and Services Tax	(21,545)	(18,186)
	422,485	396,300
Cash flows provided by (used in) investing activities:		
Purchase of property, plant and equipment	(22,123)	(12,465)
Disposition of property, plant and equipment	124	368
	(21,999)	(12,097)
Cash flows used in financing activities:		
Cash deposited in General Revenue Fund (Note 4)	(391,951)	(386,179)
Net increase (decrease) in cash position	8,535	(1,976)
Cash position, beginning of year	39,439	41,415
Cash position, end of year	$ 47,974	$ 39,439
Cash position consists of:		
Cash	$ 1,618	$ 1,119
Due from General Revenue Fund	46,356	38,320
	$ 47,974	$ 39,439

(See the accompanying notes to the financial statements)

LIQUOR AND GAMING AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2008

1. Description of Business

The Liquor and Gaming Authority (SLGA) operates under *The Alcohol and Gaming Regulation Act, 1997*. SLGA's mandate is to support, develop and regulate the Saskatchewan liquor and gaming industries and to maximize public benefit through high quality services and products.

SLGA operates retail liquor stores and video lottery terminals. SLGA conducts and manages the breakopen vending machine program in the Province. It also owns and manages the slot machines at Saskatchewan Indian Gaming Authority's (SIGA) casinos. Revenue from slot machines at SIGA's casinos and related expenses are included in these financial statements.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates that affect the reported value of assets, liabilities, and disclosed contingent liabilities and commitments at the date of the financial statements, and the amounts of revenue and expenses for the year then ended. The most significant estimates are related to the physical and economic lives of capital assets and accrued pension liability. Actual results could differ from those estimations. The significant policies are described below.

(a) Revenue

Liquor Sales

Sales are recorded net of returns, container deposits, Goods and Services Tax, Liquor Consumption Tax and discounts.

Licence Fees

Liquor and gaming licence fees are recorded when the licence is approved. Exhibition casino licence fees are based on the net revenue generated by the exhibition casino. SLGA records these fees as the exhibition casino generates net revenue.

Video Lottery Terminals (VLT)

Revenue is recorded net of prize payouts.

Slot Machines

Revenues from casino slot machines are recorded net of prizes paid out.

(b) Promotional Allowances

SIGA offers a customer loyalty program to its patrons. As part of the program, club members accumulate points based on amounts wagered and can redeem their points for cash. The cash value of the points accumulated is recorded as a promotional allowance.

(c) VLT Site Commission

Establishments where VLT are located are entitled to a commission based on 15% of the VLT revenue earned. The commission is recorded as the VLT revenue is earned.

(d) Inventories

Inventories of wines, coolers, spirits, beer and gaming machine parts are valued at the lower of average cost and net realizable value.

(e) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated amortization. Property, plant and equipment are amortized commencing in the year which these assets are placed in service on a straight-line basis at rates designed to allocate the cost of these assets over their estimated useful lives. Rates are as follows:

Buildings	2.5 - 20% per annum
Furniture & equipment	15 - 33% per annum
VLT & slot machines	20% per annum
Breakopen vending machines	15 - 33% per annum

Leasehold improvements are amortized over the lesser of the life of the asset or the term of the lease.

Effective March 31, 2008, SLGA increased its threshold for capitalizing desktop and laptop computer equipment from $1,000 to $2,500. Equipment not meeting the minimum purchase capitalization criteria will be expensed when purchased, therefore matching cash outlays directly with the operating costs of maintaining and replacing desktop and laptop computer equipment.

The change in accounting policy was not applied retrospectively since SLGA does not expect the impact of the adoption of this accounting policy to have a material impact on the financial statements.

For the current year, this change in accounting policy decreased capital assets by $250,448 and increased equipment expense by $112,134.

(f) Pension Expense

The cost of the pension benefits earned by employees, who are members of SLGA's defined benefit plan (closed to new members since 1977), is determined using the projected benefit method prorated on service. The amount of the expense reflects management's best estimate of the plan's expected investment performance, salary escalation, mortality of members, terminations, and the ages at which members will retire and post retirement

increases, based upon the Consumer Price Index, as required by *The Superannuation (Supplementary Provisions) Act*.

The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. Pension plan assets are valued at fair value (market value) for the purposes of calculating the expected return on plan assets. The net actuarial gain (loss), transitional obligation resulting from adoption of new accounting rules in 2001, and plan amendments are amortized beginning in the year they arise over the expected average remaining service life of members of the defined benefit plan.

Employees hired after 1977 are members of a defined contribution pension plan. SLGA expenses contributions it is required to make for current service of those employees. SLGA's liability for these employees is limited to the required employer's contributions.

(g) Grants

Grants are recognized when approved and eligibility criteria, if any, are met.

(h) Financial Instruments

Effective April 1, 2007, SLGA adopted the recommendations of the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3855 – Financial Instruments – Recognition and Measurement. Under these new standards, all financial assets and financial liabilities must be identified and classified. This classification determines how each financial instrument is measured. SLGA's financial instruments and their classification are as follows:

Financial Instrument	**Classification**
Cash and Due from General Revenue Fund	Held for trading
Accounts Receivable	Loans and receivables
Accounts Payable and accrued liabilities	Other financial liabilities
Payable to the General Revenue Fund	Other financial liabilities
Goods and Services Tax payable	Other financial liabilities

Held for trading financial assets are measured at fair value. Changes in the fair value are recognized in the Statement of Financial Position and Statement of Operations and Retained Earnings (Deficit). Loans and receivables and other financial liabilities are measured at amortized cost. Due to their short-term nature, the amortized cost of these instruments approximates their fair value.

Fair value for the payable to the General Revenue fund can not be determined because of the nature of the account.

SLGA has not identified any material embedded derivatives in any of its financial instruments that are required to be separately valued.

This change in accounting policy did not have a significant impact on SLGA's financial statements at the time of adoption.

(i) Recent Accounting Pronouncements

Effective April 1, 2008, SLGA will be required to adopt the CICA Handbook Sections 3862 – Financial Instruments – Disclosures, 3863 – Financial Instruments – Presentation, and 1535 – Capital Disclosures. Section 3862 provides standards for disclosure of the risks arising from financial instruments to which SLGA is exposed, and how the risks are managed by SLGA. Section 3863 provides standards for the presentation of financial instruments and non-financial instrument derivatives. SLGA does not expect the adoption of Sections 3862 and 3863 to have a material impact on the financial statements.

In May, 2007, the CICA issued Section 3031 – Inventories – which supersedes Section 3030. The standard introduces significant changes to the measurement and disclosure of inventory. Inventory policies, carrying amounts, amounts recognized as an expense, write-downs and the reversals of write-downs are required to be disclosed. SLGA does not expect the impact of the adoption of Section 3031 to have a material impact on the financial statements.

In January 2006, the CICA Accounting Standards Board adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada are expected to converge with International Financial Reporting Standards (IFRS) by the end of 2011. SLGA continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

3. Due from General Revenue Fund

Most of SLGA's bank accounts are included in the Consolidated Offset Bank Concentration arrangement for the Government of Saskatchewan. During the year, the General Revenue Fund did not pay interest on SLGA's bank accounts.

4. Disposition of Retained Earnings

Subsection 182(5) of *The Alcohol and Gaming Regulation Act, 1997* (Act) allows SLGA to provide interest free advances to the Minister of Finance for deposits in the General Revenue Fund (GRF) until the Treasury Board determines the disposition of SLGA's retained earnings. Under subsection 182(1) of the Act, the Treasury Board may, at any time, direct that all or any portion of SLGA's retained earnings be transferred to the GRF. The Treasury Board has directed SLGA to transfer $399,531 (2007 - $370,053) to the GRF under subsection 182(1) of the Act. At March 31, amounts payable to GRF were determined as follows:

	2008 (000's)	2007 (000's)
Payable to GRF at beginning of year	$ (101,093)	$ (117,219)
Deposits during the year	391,951	386,179
Transfer to GRF	(399,531)	(370,053)
Payable to GRF at end of year	$ (108,673)	$ (101,093)

5. Inventories

	2008 (000's)	2007 (000's)
Wines, coolers and spirits in stores	$ 8,312	$ 8,617
Wines, coolers and spirits in warehouse	10,318	9,748
Beer in stores	2,346	1,875
Gaming machine parts	3,157	2,826
	$ 24,133	$ 23,066

6. Property, Plant and Equipment

	2008			2007		
	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)	Cost (000's)	Accumulated Amortization (000's)	Net Book Value (000's)
Land	$ 2,312	$ ---	$ 2,312	$ 2,415	$ ---	$ 2,415
Buildings	29,789	15,598	14,191	29,480	14,620	14,860
VLT	70,880	68,876	2,004	69,930	55,668	14,262
Slot machines	46,680	19,878	26,802	32,101	18,289	13,812
Furniture & equipment	32,882	23,759	9,123	33,217	20,941	12,276
Breakopen vending machines	2,987	2,984	3	2,986	2,984	2
Leasehold improvements	8,279	6,655	1,624	7,898	6,313	1,585
	$193,809	$137,750	$ 56,059	$178,027	$118,815	$ 59,212

7. Accounts Receivable

	2008 (000's)	2007 (000's)
Slot machine receivable - SIGA	$ 43,505	$ 29,869
VLT receivable	5,170	4,131
Other	1,225	1,228
	$ 49,900	$ 35,228

8. Goods and Services Tax (GST)

SLGA is on the prescribed list of lottery corporations pursuant to Section 188 of the Federal *Excise Tax Act*. In lieu of collecting GST on VLT and slot revenue at the retail level, SLGA calculates and remits GST according to a formula prescribed by the Canada Revenue Agency.

The formula requires SLGA to pay 10% (12% prior to Jan 1, 2008) on the purchase of taxable goods and services related to gaming programs but only 5% (6% prior to Jan 1, 2008) on VLT site contractor commissions.

The GST paid on property, plant and equipment for gaming is set up as part of the cost of the asset and is amortized on a straight-line basis over the useful life of the property, plant and equipment.

SLGA also pays GST to the Canada Revenue Agency and claims input tax credits on all its liquor and other taxable purchases.

9. Pension Plan

SLGA sponsors a defined benefit plan and participates in a multi-employer defined contribution plan covering substantially all of its employees. The defined contribution plan is called the Public Employees Pension Plan (PEPP). During the year, SLGA paid PEPP and expensed a total of $4,134,670 (2007 - $1,921,061) which included required current contributions and $1,800,000 recognized for the future settlement of potential obligations relating to the past service contributions of certain part-time employees.

The Liquor Board Superannuation Commission administers the defined benefit plan, Liquor Board Superannuation Plan (Plan), for SLGA. The Plan provides pensions calculated at 2% of a member's average salary for the five years of highest salary, multiplied by the number of years of service to a maximum of 35. This Plan has been closed to new members since 1977.

Eckler Partners Ltd. performed the valuation of the Plan as at September 30, 2005 and extrapolated the valuation to December 31, 2007. The accrued benefit obligation is based on a number of assumptions about future events including: discount rate, rate of salary increases, mortality, retirement rates, and inflation. The following significant assumptions were adopted in measuring the accrued benefit obligation:

	2008	2007
Expected long-term rate of return on plan assets	6.00%	6.00%
Discount rate	5.35%	4.75%
Salary increases	3.50%	3.50%
Inflation	2.50%	2.50%
Indexing increases to pensions as % of Consumer Price Index	70%	70%
Expected average remaining service life	4.0 years	4.0 years

A 1% change in the following assumptions would impact the accrued benefit obligation as described below:

Assumption	Impact (% of ending accrued benefit obligation)
Discount rate	11.35
Salary	0.9
Inflation	3.8

SLGA's pension costs are included in salary, wages, and benefits on Schedule 1.

	2008 (000's)	2007 (000's)
Current service cost – defined benefit plan	$ 666	$ 599
Current service cost – defined contribution plan	2,335	1,921
Interest cost	2,988	2,474
Expected return on pension plan assets	(921)	(728)
Interest and employee contributions on transfer in	(323)	---
Amortization of net transitional obligation	535	535
Amortization of actuarial losses	1,704	2,252
Net pension cost	$ 6,984	$ 7,053

Information about SLGA's defined benefit plan is as follows:

	2008 (000's)	2007 (000's)
Accrued benefit obligation		
Accrued benefit obligation, beginning of year	$ 56,517	$ 52,743
Current service cost – employer	666	599
Current service cost – employee	164	164
Interest cost	2,988	2,474
Benefits paid	(2,983)	(2,837)
Experience (gain) loss*	(2,822)	3,374
Accrued benefit obligation, end of year	$ 54,530	$ 56,517
Plan assets		
Fair value of plan assets, beginning of year	$ 16,233	$ 16,099
Actual return on plan assets	427	1,681
Employer contributions	733	1,126
Employee contributions	164	164
Interest and employee contributions on transfer in	323	---
Benefits paid	(2,983)	(2,837)
Fair value of plan assets, end of year	$ 14,897	$ 16,233
Funded status - plan deficit	$ 39,633	$ 40,284
Unamortized transitional obligation	(268)	(803)
Unamortized net actuarial losses	(695)	(4,492)
Accrued pension liability	$ 38,670	$ 34,989

*In 2007, the experience loss is from a Plan amendment that resulted in past service costs. These costs relate to the legislative amendment to *The Superannuation (Supplementary Provisions) Act.* The amendment requires the Plan to provide retirement indexing based upon 70% of Saskatchewan's consumer price index.

The Plan holds all of its assets in various pooled funds. The Plan's holdings consist of 20.9% (2007 – 21.5%) in a Canadian equity pooled fund, 27.4% (2007 – 29.5%) in foreign equity pooled funds, 41.7% (2007 – 43.7%) in a bond and debenture pooled fund and 10.0% (2007 – 5.3%) in a money market pooled fund.

The forecast of net cash outflows (cash outflows net of cash inflows), for the Plan have been determined using the long-term assumptions noted above and are described below. The cash inflow is the amount of contributions received by the defined benefit plan and the cash outflow is the amount required to pay all pension obligations. The net cash outflows include a 6.0% (2007 – 6.0%) assumed rate of return on investments.

	Net Cash Outflows (000's)
Next 5 years	$ 965
Next 10 years	$ 3,300
Next 30 years	$ 11,300

The accrued pension liability is long-term in nature and there is no market for settling these pension obligations. Therefore, the determination of the fair value of the pension liability is not practicable.

10. Casino Operating Agreement with the Saskatchewan Indian Gaming Authority

Effective June 11, 2007 the Province and the Federation of Saskatchewan Indian Nations (FSIN) agreed to amend the 2002 Framework Agreement for the purpose of increasing economic and employment opportunities for Aboriginal peoples through casino development within the parameters of *The Criminal Code of Canada.* This amendment also permitted SIGA to retain $5 million from slot machine operations as a one-time capital reserve for the sole purpose of acquiring capital assets. This $5 million is a receivable due from SIGA and is included in slot machine receivable disclosed in Note 7.

The 2002 Framework Agreement has a term of 25 years. Similar to its predecessor, the 1995 Framework Agreement, the 2002 Framework Agreement requires the Province to retain a portion of the net profits from slot machines in the GRF and distribute the remaining profits to the First Nations Trust, and the Community Development Corporations.

To implement the Framework Agreement, SLGA and SIGA made agreements for casino operations and slot machine management. The Casino Operating Agreement requires SIGA to pay the net profits from slot machines to SLGA. This agreement also ensures SLGA recovers the cost of slot machines, the related computer system, and interest over five years.

Also under the Agreement, SIGA has granted a first charge security interest on all its present and subsequently acquired assets to SLGA to secure contractual obligations of SIGA under the Agreement. However, the Agreement requires SLGA, upon joint written request by SIGA and its lenders, to postpone such security in favour of the lenders who require a prior charge relating to funds lent to SIGA for the financing of its operations carried out in accordance with the Agreement. As of March 31, 2008, SIGA has borrowed $45 million under a $79 million long-term financing agreement with a financial institution (Bank) (Note 11). SLGA has postponed its security in regards to this financing agreement.

Under the Casino Operating Agreement between SIGA and SLGA, SIGA is permitted to charge its losses from table games and ancillary operations as an expense of slot machine operations. As well, the Casino Operating Agreement requires SIGA to pay to the Indigenous Gaming Regulators Inc. (IGR) funds equal to IGR's operating budget upon direction from SLGA.

In addition, under an agreement with Saskatoon Prairieland Park Corporation (SPPC), SIGA is required to pay SPPC compensation for the closure of its casino (Note 11).

During the year, SIGA charged losses as an expense of slot machine operations, and paid IGR and SPPC as follows:

	2008 (000's)	2007 (000's)
Table games revenues	$ 7,166	$ 4,808
Table games expenses	8,272	5,575
Net losses from table games	$ 1,106	$ 767
Ancillary operations revenues	$ 5,492	$ 6,290
Ancillary operations expenses	11,635	9,381
Net losses from ancillary operations	$ 6,143	$ 3,091
Total losses expensed	$ 7,249	$ 3,858
IGR payment	2,925	1,780
SPPC payment	1,670	---
	$ 11,844	$ 5,638

11. Commitments

SLGA

Leases: SLGA, as lessee, is committed to pay under operating leases on leased premises the following minimum amounts in future years:

Year Ending March 31	(000's)
2009	$ 3,601
2010	3,547
2011	3,205
2012	2,530
2013	2,378
Subsequent years	3,874
Total	$ 19,135

Slot machines: Under various amending agreements to the 2002 Framework Agreement, SLGA is committed to supplying a total of 200 slot machines for an estimated cost of $5 million upon the opening of the casino in Swift Current.

SIGA Leases, Sponsorships, Casino and Debt

Under the Casino Operating Agreement, SLGA allows SIGA to retain money from slot machine revenues to pay approved casino operating expenses, contractual obligations, and commitments. SIGA's commitments are as follows:

Operating leases: SIGA has obligations under operating leases for buildings, equipment and vehicles. SIGA has also previously committed to providing sponsorship funding to various agencies. The minimum lease payments over the next five years are as follows:

Year Ending March 31	Leases (000's)	Sponsorships (000's)
2009	$ 3,624	$ 100
2010	3,068	100
2011	2,967	---
2012	2,948	---
2013	2,922	---
Total	$ 15,529	$ 200

Dakota Dunes Casino: SIGA has entered into a capital lease agreement for the lease of Dakota Dunes Casino on Whitecap Dakota First Nation. The minimum lease payments under the capital lease obligation are as follows:

Year Ending March 31	(000's)
2009	$ 2,248
2010	2,248
2011	2,248
2012	2,248
2013	2,248
Subsequent years	31,853
Total	$ 43,093

In addition, under an agreement with the Whitecap Dakota First Nations, SIGA is committed to leasing the land for $170,000 annually for the first five years, and reviewed every five years and increased by the change in the consumer price index for the preceding five year period until June 10, 2027.

In 1995, SLGA entered into an agreement with SPPC regarding the maintenance of a certain level of its income pending the closure of its Emerald Casino. This agreement expired on August 10, 2007, when SIGA opened the Dakota Dunes Casino. In 2008, SLGA provided funding of $2.3M (2007 - $1.1M) to SPPC, which is recorded as part of the VLT site commission expense.

Under an agreement with SPPC and effective August 10, 2007, SIGA began paying SPPC $2.6 million annually, subject to certain conditions, for 30 years payable in monthly installments of $216,667. In 2008, SIGA paid $1.7M (2007 - $0) to SPPC, which is recorded as part of the SIGA other operating expenses.

Living Sky Casino: In 2006, SIGA entered into an agreement with FHQ Holdings Limited Partnership (FHQ), a related party, for the development of a new casino located in Swift Current. SLGA has approved SIGA's agreement for the new casino at Swift Current.

The total cost to SIGA of the new casino is estimated to be $19 million. SIGA agreed to pay FHQ certain amounts up front. SIGA agreed to pay FHQ $100,000 for access to the premises during the development stage. SIGA also agreed to pay FHQ a commissioning fee of $360,000. In addition, SIGA agreed to pay FHQ at least $8,954,000 of the total building construction costs subject to approval of the project budget.

Upon completion of the building shell, SIGA will commence lease payments to FHQ until June 10, 2027. The lease payments for land are as follows: $128,800 for the first five years, $147,749 annually for years six through ten, $169,209 annually for years eleven through fifteen and $169,209 thereafter adjusted for changes in the Consumer Price Index. The lease payments for the building will be determined based on FHQ's direct construction costs which exclude up-front costs paid to FHQ by SIGA. These direct construction costs will be multiplied by a set rate of return. The rate of return per year is equal to the long-term Government of Canada bond rate in effect when the lease payments commence plus 9%.

Painted Hand Casino: In 2005, SIGA entered into an agreement with PHC Holding Limited Partnership (PHC), a related party, for the development of a new casino located in Yorkton. SLGA has approved SIGA's agreement for the new casino at Yorkton and will replace the existing Painted Hand Casino.

The total cost to SIGA of the new casino is estimated to be $18 million. SIGA agreed to pay PHC certain amounts up front. SIGA agreed to pay PHC $100,000 for access to the premises during the development stage. SIGA has also agreed to pay PHC a commissioning fee of $430,000. In addition, SIGA agreed to pay PHC an amount by which the direct construction costs exceed $12,000,000. The up-front costs do not have to be paid back by PHC and will not be included in calculating the building lease payments.

Upon completion of the building shell, SIGA will commence lease payments to PHC until June 10, 2027. The lease payments for land are as follows: $104,000 for the first five years, $119,300 annually for years six through ten, $136,628 annually for years eleven through fifteen and $136,628 thereafter adjusted for changes in the Consumer Price Index. The lease payments for the building will be determined based on PHC's direct construction costs which exclude up-front costs paid to PHC by SIGA. These direct construction costs will be multiplied by a set rate of return. The rate of return per year is equal to the long-term Government of Canada bond rate in effect when the lease payments commence plus 9%.

Long-term debt: In 2007, SIGA made a long-term financing agreement with the Bank for $79 million to finance the new casino projects. As of March 31, 2008, SIGA has borrowed $45 million (2007 - $0) under this agreement at interest rates varying from 4.59% to 5.68%.

SIGA's principal repayments are as follows:

Year Ending March 31	(000's)
2009	$ 2,270
2010	2,321
2011	2,375
2012	2,432
2013	2,492
Subsequent years	33,107
Total	$ 44,997

Other: The Casino Operating Agreement requires SIGA to transfer to IGR, beginning in 2004, funds to support IGR's annual operating budget. For 2009, the budgeted transfers are $2.9 million (2008 – $2.9 million).

12. Liquor Sales

	2008 (000's)	2007 (000's)
Wines, coolers and spirits		
In stores:		
- To permittees	$ 52,064	$ 45,726
- To public	167,289	151,223
	219,353	196,949
To franchisees:		
- To permittees	6,538	5,678
- To public	21,251	19,288
	27,789	24,966
	247,142	221,915
Beer		
- To permittees	133,506	126,862
- In stores	81,209	73,780
- To franchisees	7,891	6,989
	222,606	207,631
Total	$ 469,748	$ 429,546

13. 2008 Budget

These amounts represent the budget approved by Treasury Board.

14. Segmented Information

SLGA operates in four segments - liquor, VLT, slots in SIGA casinos, and other gaming.

The liquor segment reflects the retailing and licensing of beverage alcohol activities within the province.

The VLT segment reflects the operation of the VLT program under the authority of Section 207 of *The Criminal Code of Canada* and *The Alcohol and Gaming Regulation Act, 1997*.

The slots in SIGA casinos segment reflect the operations of slot machines in SIGA casinos. (see Note 10).

The Other Gaming segment reflects the licensing and support of charitable and religious organizations that conduct and manage bingos, casinos, raffles and breakopen ticket sales and the regulation and support of the horse racing industry. The Other Gaming segment also includes the breakopen vending machine program.

The breakopen vending machine operation consists of vending machines capable of dispensing lottery tickets that may have a stipulated prize hidden under a paper covering. On behalf of SLGA, tickets for the breakopen vending machine (breakopen) operation are distributed by Pollard Banknote Limited Partnership. The breakopen operation had revenues net of prizes of $0.63 million (2007 - $0.76 million) and expenses (including operating expenses, Goods and Services Tax, and distributions to charities) of $0.71 million (2007 - $0.71 million) for the year. Included in Other Gaming segment is a $0.08 million loss (2007 - $0.05 million income) relating to the breakopen operation.

Key amounts by segment as follows:

	SEGMENTS					
	2008 (000's)					2007 (000's)
	LIQUOR	VLT	SLOTS IN SIGA CASINOS	OTHER GAMING	TOTAL	TOTAL
Revenues	$ 469,748	$ 247,137	$ 178,307	$ —	$ 895,192	$ 785,312
Other Income	2,801	91	—	1,477	4,369	4,169
Total Revenues	472,549	247,228	178,307	1,477	899,561	789,481
Promotional Allowances	—	—	6,387	—	6,387	4,243
Direct Expenses	236,435	39,884	—	—	276,319	252,011
Operating expenses	62,484	22,156	111,649	20,389	216,678	162,917
Total Expenses	298,919	62,040	118,036	20,389	499,384	419,171
Net income (loss)	173,630	185,188	60,271	(18,912)	400,177	370,310
Retained earnings (deficit), beginning of year	—	—	(413)	(172)	(585)	(842)
Transfer to General Revenue Fund	174,301	185,188	59,169	(19,127)	399,531	370,053
Retained earnings (deficit), end of year	$ (671)	$ —	$ 689	$ 43	$ 61	$ (585)
Property, plant and equipment purchases	$ 1,517	$ 1,244	$ 19,362	$ —	$ 22,123	$ 12,465
Amortization	$ 4,272	$ 13,801	$ 6,647	$ 555	$ 25,275	$ 23,329

15. Related Parties

These financial statements include transactions with related parties. SLGA is related to all Saskatchewan Crown agencies such as ministries, corporations, boards and commissions under the common control of the Government of Saskatchewan. Also, SLGA is related to non-crown enterprises that the Government jointly controls or significantly influences. In addition, for financial reporting purposes, SLGA is considered a related party to SIGA because of its significant influence over SIGA's operations.

Routine operating transactions with related parties are recorded at the agreed upon rates and are settled on normal trade terms. These transactions are as follows:

Category	2008 (000's)	2007 (000's)
Salaries, wages, and benefits	$ 8,404	$ 7,831
Rent, utilities, and insurance	3,157	2,959
Customer service programs	664	700
Communications	402	415
Accounts payable and accrued liabilities	2,259	1,907

In addition, SLGA pays Saskatchewan provincial sales tax to the Saskatchewan Ministry of Finance on all its taxable purchases. Taxes paid are recorded as part of the cost of those purchases.

SLGA collected the following amounts for the Ministry of Finance:

	2008 (000's)	2007 (000's)
Container deposits on domestic beer sales	$ 22,322	$ 20,942
Liquor Consumption Tax	25,325	23,104
Container deposits on all wine, cooler, spirit and imported beer products	5,850	5,535

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

16. Contingencies

As part of ongoing operations SLGA faces legal actions initiated by third parties and contract disputes. At year-end there were actions outstanding against SLGA, which the ultimate outcome is not yet determinable. Settlements arising from the resolution of these actions will be accounted for in the year in which the settlements occur.

17. Western Canada Lottery Corporation

The Saskatchewan Video Lottery Division of the Western Canada Lottery Corporation (WCLC) operates the video lottery terminals and central computer system on behalf of SLGA. WCLC provides accounting, purchasing, cash disbursements, human resources, and technical services for the VLT program. WCLC also operates and generally maintains the slot machines and related computer system at the SIGA casinos for SLGA and the breakopen vending machines on behalf of SLGA. For the year ended March 31, 2008, WCLC charged SLGA $11.7 million (2007 - $11.3 million) to operate the VLT, slot machine program and the breakopen vending machines for the year.

18. Financial Instrument Risks

SLGA is exposed to minimal credit and interest rate risks from the potential non-payment of accounts receivable as most receivables are either short-term and collected shortly after year end or are from SIGA. SLGA exerts significant influence over SIGA's operations and SIGA remits the amount owing to SLGA in accordance with the Casino Operating Agreement described in Note 10.

19. Comparative Figures

Certain prior year balances have been reclassified to conform with the current year's financial statement presentation.

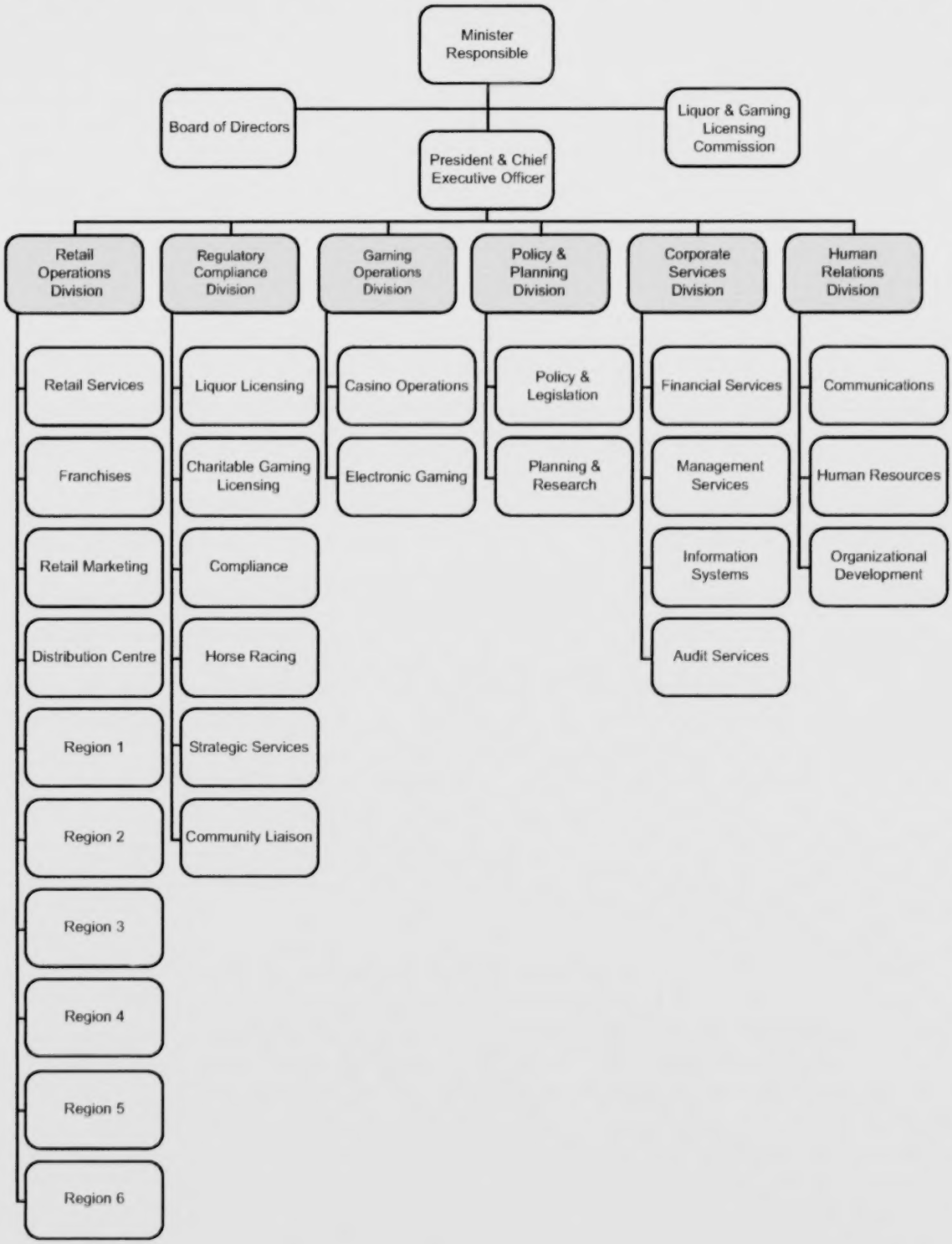
Schedule 1

LIQUOR AND GAMING AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended March 31

	VLT, Liquor & Other Gaming		Slots in SIGA Casinos*		Total	
	2008 (000's)	2007 (000's)	2008 (000's)	2007 (000's)	2008 (000's)	2007 (000's)
Salaries, wages and benefits	$ 50,067	$ 42,407	$ 39,770	$ 27,892	$ 89,837	$ 70,299
Property, plant and equipment amortization	18,628	19,176	6,647	4,153	25,275	23,329
Rent, utilities and insurance	6,886	6,745	6,712	5,128	13,598	11,873
Professional and contractual services	6,952	6,462	5,793	4,653	12,745	11,115
Operations and maintenance	1,060	1,242	14,006	7,200	15,066	8,442
Advertising, printing, and promotion	69	80	15,372	8,293	15,441	8,373
Grants (Note 2g)	10,330	7,240	---	---	10,330	7,240
Goods and Services Tax	2,317	2,308	3,966	2,611	6,283	4,919
Stationery and supplies	1,323	1,158	1,119	1,271	2,442	2,429
Debit/credit charges	2,107	1,877	---	---	2,107	1,877
Travel and business	1,120	1,181	1,007	692	2,127	1,873
Communications	1,205	1,162	640	533	1,845	1,695
Information technology	1,279	987	---	---	1,279	987
Sundry	379	438	546	502	925	940
Customer service programs	720	828	---	---	720	828
Service charges and interest	526	505	3,761	150	4,287	655
Honoraria and related expenses	61	50	466	355	527	405
Indigenous Gaming Regulators (Note 10)	---	---	2,925	1,780	2,925	1,780
Saskatoon Prairieland Park Corporation (Note 10)	---	---	1,670	---	1,670	---
SIGA table and ancillary operation losses (Note 10)	---	---	7,249	3,858	7,249	3,858
	$ 105,029	$ 93,846	$ 111,649	$ 69,071	$ 216,678	$ 162,917

* Represents operating costs of SIGA Casinos.

Appendix A
SLGA Organizational Chart



Appendix B
Summary of SLGA's Partners and Stakeholders

Bingo Charity Associations and Individual Non-profit Groups. Charity associations and individual non-profit groups are the traditional beneficiaries of the gaming industry.

Brewers of Canada. Represents the breweries as well as several microbreweries. www.brewers.ca

Canadian Restaurant and Foodservices Association (CRFA) (Saskatchewan Division). The CRFA has approximately 600 members in Saskatchewan including both licensed and non-licensed establishments. www.crfa.ca

Canadian Vintners Association. This is a national association dedicated to the promotion and well being of Canada's wine sector. www.canadianvintners.com

Canadian Centre on Substance Abuse (CCSA). The Canadian Centre on Substance Abuse is Canada's national addictions agency. Its mission is to provide objective, evidence-based information and advice that will help reduce the health, social and economic harm associated with substance abuse and addictions. www.ccsa.ca

Federation of Saskatchewan Indian Nations (FSIN). The FSIN represents 74 of Saskatchewan's First Nations. SLGA works with the FSIN in implementing the terms of the Gaming Framework Agreement. www.fsin.com

Horse Racing Saskatchewan (HRS). This interest group is comprised of a number of racing associations and organizations that host horse racing events including Horse Racing Saskatchewan, the Saskatchewan First Nations Racing Association, Saskatchewan Speed Horse Association, Saskatchewan Standardbred Horsemen's Association, Horsemen's Benevolent and Protective Association of Saskatchewan and the Canadian Thoroughbred Horse Society.

Indigenous Gaming Regulators (IGR). IGR is building capacity to perform regulatory and licensing functions for First Nations gaming. www.igr.ca

Non-Profit Clubs. Consists of ethnic associations, service clubs, veteran organizations and sporting clubs (including golf and curling) that have a permanent facility/clubhouse and a special use permit (as opposed to those groups who use special occasion permits and may or may not have a permanent location).

Pollard Banknote Limited. Pollard Banknote is Saskatchewan's sole source for breakopen gaming tickets. www.pollardbanknote.com

Responsible Gambling Council (RGC). The RGC is a non-profit organization that works with individuals and communities to address gambling in a healthy and responsible way. The Council undertakes research and public awareness programs designed to prevent gambling-related problems. www.responsiblegambling.org

Saskatchewan Government and General Employees Union (SGEU). Ninety-one per cent of SLGA employees are unionized and represented by SGEU. www.sgeu.org

Saskatchewan Hotel and Hospitality Association (SHHA). Established in 1932, approximately 475 hotels and motels belong to SHHA. They represent both hotel owners and operators in urban areas and rural communities. www.hotelsofsask.com

Saskatchewan Indian Gaming Authority (SIGA). SIGA operates the province's five First Nations casinos on behalf of the FSIN. SIGA's newest casino in Swift Current is expected to open in late 2008. www.siga.sk.ca

Saskatchewan Responsible Gaming Association (SRGA). Founded in 2001, the SRGA is a non-profit organization whose purpose is to bring together gaming industry stakeholders to promote and advance responsible gaming initiatives. www.saskresponsiblegaming.com

Saskatchewan Liquor Vendors Association (SLVA). SLVA represents all of the rural liquor franchises. Franchises are licensed by SLGA to sell beverage alcohol in rural communities across the province.

Spirits Canada. Spirits Canada, also known as the Association of Canadian Distillers, is the national trade association of Canadian manufacturers and marketers of distilled spirit products including Canadian whisky, rum, vodka, gin, liqueurs and coolers. www.canadiandistillers.com

Saskatchewan Wine and Spirits Association (SWSA). SWSA is a provincial association dedicated to the promotion of wine and spirits within the provincial liquor industry.

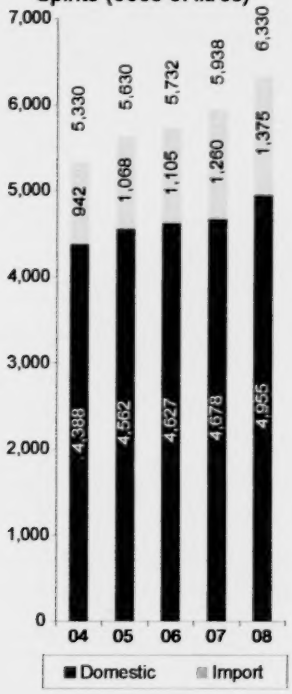
Western Canada Lottery Corporation (WCLC). WCLC is a non-profit organization authorized to operate lottery and gaming-related activities as agent for SLGA. www.wclc.com

Appendix C

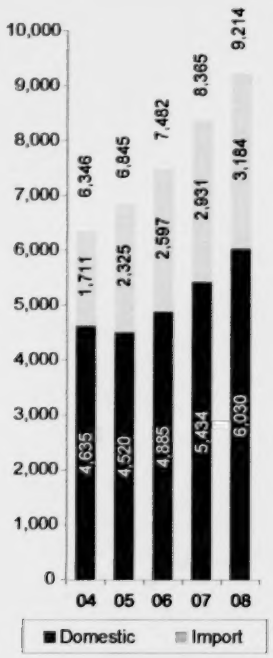
Volume of Sales – Five Year History

Financial years ending March 31

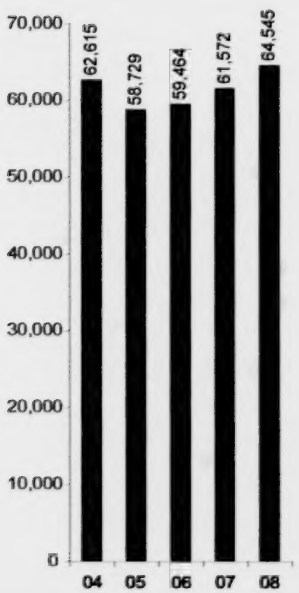
Spirits (000s of litres)



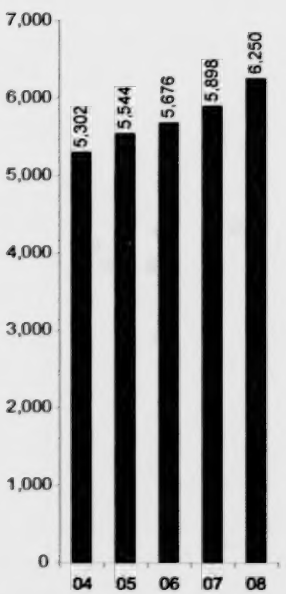
Wine and Coolers (000s of litres)



Beer (000s of litres)



Absolute Alcohol (000s of litres)

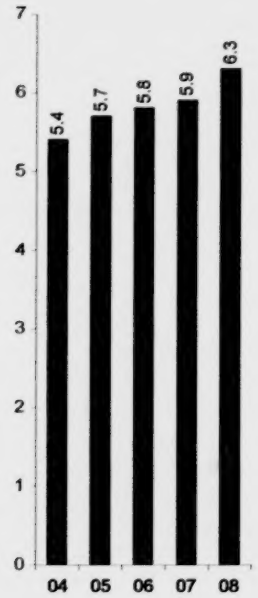


Appendix D

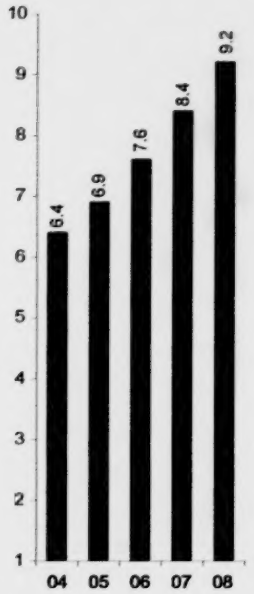
Per Capita Sales – Five Year History

Financial years ending March 31

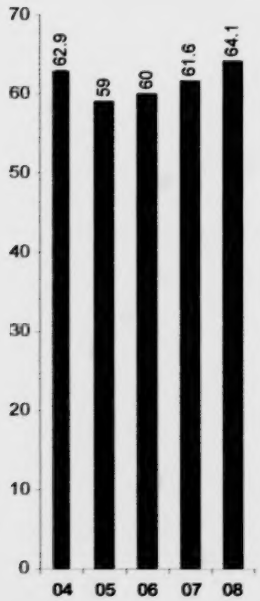
Spirits (litres)



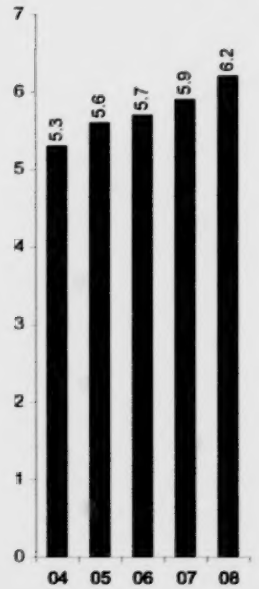
Wine and coolers (litres)



Beer (litres)



Absolute Alcohol (litres)



Appendix E
Saskatchewan Liquor and Gaming Licensing Commission

The Saskatchewan Liquor and Gaming Licensing Commission (Commission) is an independent body, which reviews:

a) decisions of the Saskatchewan Liquor and Gaming Authority (SLGA) with respect to liquor and gaming licensing, registration and cancellation/suspension matters within the SLGA's jurisdiction, including its jurisdiction over Saskatchewan Gaming Corporation (SGC) and Saskatchewan Indian Gaming Authority (SIGA) casinos, horse racing, off-reserve bingo and all provincial liquor permittees;
b) decisions of SIGA and SGC respecting involuntary casino bans of patrons from their respective casinos;
c) decisions of the Indigenous Gaming Regulators (IGR) respecting on-reserve gaming such as bingo.

The Commission's primary role is serving as an independent and fair quasi-judicial appellate body mandated to ensure proper application of the legislation and regulations governing the industries, liquor, gaming and horse racing, over which it has jurisdiction, while ensuring the fairness and integrity of those industries. Any licensed party who disagrees with a decision of SLGA, SIGA, SGC or IGR that is within the Commission's jurisdiction has the right to apply to the Commission for a review. Except in unusual circumstances, the Commission stays the decision in issue pending the outcome of the Commission's review. Similarly, any individual (such as a casino patron) who has been involuntarily banned from a casino may request a review before the Commission.

During 2007-08, the Commission scheduled and held 36 hearings to address the same number of requests for review of various decisions made by SLGA and SGC. In order to accommodate the public, hearings are scheduled whenever possible at the nearest major centre in the province to the cause of action. Fourteen hearings were held in Regina and 22 hearings were held in Saskatoon.

The applications have included reviews of SLGA's decisions to suspend liquor permits of various establishments, decisions to cancel certificates of registration to individuals with respect to gaming, to review involuntary casino bans handed down by SGC and SIGA and to review disqualifications and interference issues in contravention of the Rules of Racing in the horse racing industry. As well, the Commission reviews objections by the public to the granting of permits. The Commission may decline to hear objections to liquor applications that are competition based, frivolous or vexatious. During 2007-08, objections were received, but no objection hearings were held as some objections were withdrawn and others were either pending or set down for hearing in the next fiscal year.

Of the 36 hearings held during the past fiscal year, 11 were liquor related, comprised of assessments of penalties and suspensions. Twelve hearings were gaming related, comprised of 10 denials and two cancellations of gaming employee Certificates of Registration. There were eight hearings held with respect to horse racing, involving violations of the horse racing rules. There were five casino ban reviews.

The Commission provides written reasons for its review on the merits of all matters it hears. These written decisions are a matter of public record, and are maintained in the office of the Commission Registrar.

The Commission members as of March 31, 2008:

Colleen L. Wilson, LL.B., Chairperson, Saskatoon
Allan Oliver, Vice-Chairperson, Aneroid
Elaine Driver, Member, Fillmore
Gilbert Pelletier, Member, Yorkton
Bill Nelson, Member, Regina
Dennis Zerr, Member, Moose Jaw

The Commission also has a part-time Registrar.

Since 1997, the Commission has initiated procedural changes and is constantly developing its own policies to continue to ensure equitable treatment of all parties appearing before it. The Commission also makes written recommendations to SLGA regarding any significant regulatory issues that come to its attention through contact with the industries within its jurisdiction. It also continues to stay up-to-date in the changing environment of administrative law and the industries it regulates through its own research.

Appendix F
SLGA Performance Measures

The following performance measures are intended to gauge SLGA's progress towards meeting its organizational commitments. Trendline information has been supplied with the measures to provide the reader with additional context and historical information.

Liquor Retail

Franchise Commission (page 9)
Due to a strong economy and increased marketing support by the industry and SLGA, 2007-08 franchise sales continued to increase resulting in higher franchise commissions than in 2006-07 ($5.2 million).

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
Franchise commission	$4.7 M	$4.8 M	$4.9 M	$5.2 M	$5.8 M

Off-Sale Permittee Beer Discount (page 9)
The declines in the discount in previous years were likely a result of: the substitution effect toward the purchases of spirits from off-sale outlets since they became available for sale in 2003; increased beer prices; an aging demographic; and, changing consumer lifestyles and preferences.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
Off-Sale permittee beer discount	$9.9 M	$8.2 M	$8.3 M	$8.6 M	$8.6 M

Retail Liquor Outlets per Capita (page 9)
In 2007-08, Saskatchewan had one liquor outlet for every 1,019 residents age 19 and older, compared to one outlet for every 989 residents in 2006-07. The 2007-08 result maintains historical levels and is calculated based on a total of 732 outlets (80 SLGA stores + 463 off-sale outlets + 189 franchises).

Number of Retail Liquor Outlets Per Capita for Population 19+

Year	19+ Provincial Population [1]	Total Number of Outlets	Outlets Per Capita 19+
2004-05	734,561	750	1:979
2005-06	734,941	734	1:1,001
2006-07	736,007	744	1:989
2007-08	745,598	732	1:1,019

1 The population figures are provided by Statistics Canada, Annual Population Estimates by Age and Sex, July 2007. Population figures from Statistics Canada are frequently revised as they receive more information. Population data for 2004 through 2006 has been restated based on these revisions. SLGA has, and will continue to restate the population data as it is updated by Statistics Canada.

Retail Customer Satisfaction Survey Results (page 9)
In 2007-08, SLGA administered a customer satisfaction survey pertaining to SLGA's retail liquor stores. This survey followed up on similar surveys conducted in 2002-03 and 2004-05. The surveys were administered to a random sample of 1,500 Saskatchewan residents of legal drinking age, and are considered accurate to within plus or minus 2.5 per cent at a 95 per cent confidence level.

Based on the most recent survey data, 88 per cent of survey respondents are satisfied with customer service at liquor stores and 95 per cent of survey respondents said that the customer service provided by liquor stores either met or exceeded their expectations.

Retail Customer Satisfaction	2002-03 Survey	2004-05 Survey	2007-08 Survey
Satisfied with customer service	92 %	91 %	88 %
Customer service met or exceeded expectations	97 %	96 %	95 %

Gaming

Charitable Gaming Proceeds (page 10)
Total charitable gaming proceeds for 2007-08 were stable relative to 2006-07. The decline in popularity of bingo and breakopens has been offset by an increase in proceeds from raffles and the new Texas Hold'em licences.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
Charitable gaming proceeds	$35.1 M*	$30.7 M*	$27.6 M*	$25.6 M*	$25.6 M

*historical numbers have been restated to include small raffles, which were not previously reported.

Charitable Gaming Grant (page 10)
The 2006-07 grant expense did not represent the entire liability. The amount expensed should have been $6.4 million in 2006-07 and $6.6 million in 2007-08. Therefore the 2007-08 total includes $1.4 million related to 2006-07.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
Charitable gaming grant	N/A	N/A	N/A	$5.0 M	$8.0 M

Number of VLTs, Number of Sites and Number of Communities with VLTs (page 10)
In 2002-03, the cap on the number of VLTs in the province was increased from 3,600 to 4,000. SLGA continues to operate within this cap of 4,000 VLTs. The number of sites and the number of communities with VLTs has been maintained over time with minor fluctuations over the past six years.

Year	Number of VLTs	Number of Sites	Number of Communities with VLTs
2001-02	3,536	682	332
2002-03	3,760	691	334
2003-04	3,995	691	326
2004-05	3,971	697	324
2005-06	3,978	678	318
2006-07	3,929	669	312
2007-08	3,975	660	315

VLT Site Commission (page 10)

The decrease in 2004-05 to 2006-07 relative to 2003-04 is due primarily to the impact of *The Tobacco Control Amendment Act, 2004* as well as municipal smoking bans implemented in advance of the legislation in Saskatoon, Yorkton, Moose Jaw and Humboldt. The increase in 2007-08 was due to a strong economy that resulted in VLT sales recovering from the effects of the smoking ban.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
VLT site commission	$41.2 M	$40.1 M	$36.4 M	$36.6 M	$39.9 M

Compliance (page 13)

Some of SLGA's compliance outcomes fluctuate from year to year depending on the scope and complexity of project-based inspections and investigations. Two new investigator positions were added to the Compliance Branch at the beginning of the 2007-08 fiscal year which resulted in more inspections being conducted on charitable gaming licensees and the new SIGA casino. The charitable gaming inspections included monitoring Texas Hold'em and Monte Carlo events hosted by charitable organizations. There continues to be a learning curve for some of those organizations in fully understanding all terms and conditions associated with the new initiatives. The combination of these two factors would attribute to more inspections being conducted and issues of non-compliance being identified.

The number of audits has stabilized over the past two years to more accurately reflect the implementation of a risk-based approach to audit projects that are generally larger in scope and complexity.

Historical Compliance Results for SLGA: 2004-05 to 2007-08

Performance Measure	2004-05	2005-06	2006-07	2007-08
Compliance rates for liquor activity	97 %	97 %	96 %	95 %
Compliance rates for charitable gaming	90 %	90 %	90 %	85 %
Number of inspections	4,377	4,695	4,264	6,043
Number of investigations	2,650	2,454	2,543	2,785
Number of audits/reviews	132	92	60	68
Number of sanctions	196	196	208	283

Internal Operations

Equity Group Employment (page 17)
SLGA has set the Saskatchewan Human Rights Commission's equity group employment targets as a long-term goal. For 2008, the current targets are: 47 per cent of employees at all levels are female; 14.8 per cent are Aboriginal people; 9.7 per cent are persons with disabilities; and, 3.1 per cent are visible minorities.

SLGA's 2007-08 results for equity group employment are presented in the table below. The multi-year data regarding equity group employment illustrates relatively static employment outcomes for the Aboriginal and Visible Minority equity groups. Although the number of women overall has increased through the years, women continue to be underrepresented in several professional and management occupations at SLGA.

Equity Group Employment in SLGA: 2003-04 to 2007-08

Equity Group	2003-04	2004-05	2005-06	2006-07	2007-08
Aboriginal People	5.6 %	5.2 %	5.3 %	5.2 %	5.2 %
Women Overall	57.4 %	58.5 %	60.0 %	61.9 %	61.8 %
Persons with Disabilities	3.6 %	4.0 %	3.7 %	2.7 %	2.7 %
Visible Minority Persons	2.6 %	2.8 %	2.9 %	2.7 %	2.7 %

Employee Satisfaction with Internal Communication (page 17)
As part of SLGA's employee satisfaction survey conducted in 2005-06 and 2007-08, employees were asked a number of questions about their experiences with SLGA's communication approaches. Compared to SLGA's 2005-06 results, the favourable responses in both these categories increased, indicating significant improvement in internal communications since the last survey.

Employee Satisfaction Measures	2005-06 Result	2007-08 Result
Communication from higher levels within SLGA	Good: 35 %	Good: 44 %
Opportunities to communicate to higher levels within SLGA	Good: 37 %	Good: 45 %

SLGA Efficiency and Financial Measures

Store Operating Costs as a Percentage of Store Sales
Store operating costs as a percentage of store sales were 12.6 per cent for the year ending March 31, 2008. The retail store system recorded increases in 2007-08 in both sales (as a result of a warm summer and a strong economy) and operating costs; the growth in revenue exceeded the cost increases resulting in a lower ratio relative to 2006-07.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
Store operating costs as a per cent of store sales	12.7 %	12.3 %	13.0 %	12.7 %	12.6 %

SIGA Net Income Transferred to the General Revenue Fund (GRF)
SIGA's net income for 2007-08 was $60.3 million, which was transferred to the GRF as part of SLGA's net income. With the opening of the Dakota Dunes Casino on the Whitecap Dakota First Nation in 2007-08, SIGA received 550 additional slot machines.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
SIGA net income transfer to the GRF	$33.2 M	$34.0 M	$40.2 M	$48.8 M	$60.3 M

SIGA Net Income as a Percentage of SIGA Revenue
SIGA net income as a per cent of revenue is calculated at 32.7 per cent for the year ending March 31, 2008. SIGA net income as a percentage of revenue continued to increase from 2004-05 to 2006-07 due primarily to an increase in slot machine revenue. In 2007-08, the decline is a result of start-up costs at the Dakota Dunes Casino in which SIGA's expenses increased at a higher rate than revenue.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
SIGA net income as a per cent of SIGA revenue	34.6 %	33.7 %	34.7 %	37.8 %	32.7 %

SIGA Slot Costs as a Percentage of SIGA Slot Revenue
In 2007-08 SIGA slot machine costs were 56.0 per cent of SIGA's net slot revenues. Due to start-up costs associated with the Dakota Dunes Casino in 2007-08, slot expenses increased more rapidly than revenue, resulting in a decreased ratio compared to 2006-07.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
SIGA slot costs as a per cent of slot revenue	57.2 %	56.2 %	56.1 %	51.9 %	56.0 %

VLT Net Income Transferred to the General Revenue Fund (GRF)
In 2007-08, $185.2 million in VLT net income was transferred to the GRF as part of SLGA's net income. The decrease in VLT net income from 2004-05 to 2006-07 is due primarily to the impact of *The Tobacco Control Amendment Act, 2004*. In 2007-08, the VLT program met its budgeted target as a result of a slight increase in VLT sales and WCLC savings on operating expenses.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
VLT net income transfer to the GRF	$201.7 M	$193.8 M	$173.5 M	$175.0 M	$185.2 M

WCLC Costs as a Percentage of VLT Revenue
WCLC costs as a percentage of VLT revenue for the year ending March 31, 2008 is calculated at 3.4 per cent. WCLC costs declined again this year and revenue increased slightly resulting in a reduced percentage.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
WCLC costs as a per cent of VLT revenue	3.4 %	3.5 %	3.7 %	3.6 %	3.4 %

Licensing, Regulating and Support Expenditures as a percentage of Revenue
SLGA's licensing, regulating and support expenses as a percentage of revenue for the year ending March 31, 2008 was 3.7 per cent, up from 3.5 per cent in 2006-07. The small increase is a result of expenses increasing at a slightly higher rate than revenues.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
Licensing, regulating and support expenses as a per cent of revenue	3.6 %*	3.4 %*	3.7 %*	3.5 %*	3.7 %

*Prior year percentages have been restated to be consistent with the current year's percentage which excludes all grant payments. Grants are not linked to the overall cost of generating revenue in the licensing and support function of SLGA, including the Charitable Gaming Grant Program that was introduced in 2006-07. In 2007-08, grant payments totalled approximately $9.6 million and were approximately $7.2 million in 2007-08.

SLGA Net Income Transferred to the General Revenue Fund
SLGA's transfer to the GRF for the year ending March 31, 2008 was $399.5 million. The increased transfer is the result of increased liquor sales, increased VLT activity, increased SIGA net income and savings in WCLC expenses related to VLT operations.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
SLGA net income transfer to the GRF	$360.8 M	$361.0 M	$351.7 M	$370.1 M	$399.5 M

Marginal Return on Expenses (MRE)
In 2007-08, SLGA's Marginal Return on Expenses value was +0.56, maintaining a positive MRE in 2007-08.

Performance Measure	2003-04	2004-05	2005-06	2006-07	2007-08
Marginal Return on Expenses	+1.51	+1.24	-0.94	+1.61	+0.56

Appendix G

SLGA Fact Sheet: 2007-08 Results at a Glance

Financial	
SLGA net income	$400.2 M
SIGA net income	$60.3 M
Total gross liquor sales	$469.7 M
Liquor net income	$173.6 M
VLT net income	$185.2 M
VLT site commission	$39.9 M
Franchise commission	$5.8 M
Off-sale permittee beer discount	$8.6 M
Structure and Organization	
Number of SLGA employees	1,033
Number of retail liquor stores	80
Number of communities with SLGA stores	64
Number of off-sale outlets	463
Number of liquor franchises	189
Total number of liquor outlets	732
Number of liquor products listed by SLGA	2,255
Number of casinos	7
Number of slot machines in SIGA casinos	1,670
Number of slot machines in SGC casinos	995
Number of VLTs	3,975
Number of communities with VLTs	315
Number of VLT sites	660
Compliance and Licensing	
Number of commercial liquor permittees	1,669
Number of special occasion permits issued	16,175
Number of investigations	2,785
Number of inspections	6,043
Number of sanctions (liquor, gaming and horse racing)	283
Number of registered gaming employees	3,279
Number of registered gaming suppliers	74
Charitable Gaming and Horse Racing	
Total gross bingo sales (before prizes awarded)	$67.2 M
Total gross raffle sales (before prizes awarded)	$33.5 M
Total gross breakopen sales (before prizes)	$11.4 M
Total gross Texas Hold'em and Monte Carlo event sales	$512,605
Total charity share (bingo, raffle, breakopen, Texas Hold'em & Monte Carlo)	$25.6 M
Number of bingo halls	16
Total number of bingo, raffle, breakopen, Texas Hold'em & Monte Carlo licences	3,393
Total grants paid to charitable gaming licencees	$8.0 M
Total provincial handle (all wagers)	$11.5 M
Total grants paid to the horse racing industry	$1.5 M
Tracks receiving grant support from the province	3

All data as of March 31, 2008

Where to Obtain Additional Information

If you have any questions or comments about SLGA's Annual Report, or if you have specific questions about the programs and services provided by SLGA, please contact:

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